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## **Soviet Union**

### ***Economic Affairs***

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# Soviet Union

## Economic Affairs

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## ECONOMIC POLICY, ORGANIZATION, MANAGEMENT

### Pravda Editor Interviewed on Indicator Distortions, Remedies

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No 46, Nov 88 (signed to press 9 Nov 88) pp 6-8, 29-30

[Interview by Valeriy Vyzhutovich, with Dmitriy Valovoy, deputy editor in chief of the newspaper PRAVDA, doctor of economic sciences, author of the book recently published by Politizdat: "Economics in Human Measurement"]

[Text] "There are so many of us who faithfully serve His Majesty 'Gross Output'!... How long will we continue to rotate in this vicious circle of hopelessly outdated ideas and formulas—'Production for the Sake of Production' and 'The Plan for the Sake of the Plan'?"

(From the Report by M. S. Gorbachev at the 19th All-Union Party Conference, "On the Course of the Implementation of the Decisions of the 27th CPSU Congress and Tasks for Deepening Restructuring")

Recently Politizdat published a book by the deputy editor in chief of the newspaper PRAVDA, Dr of Economic Sciences Dmitriy Valovoy, "Economics in Human Measurement." The author investigates the roots of wastefulness in the economy and considers ways of overcoming it. This book served as an occasion for a conversation between an OGONEK observer, Valeriy Vyzhutovich, and the author concerning paths of radical economic reform.

[Vyzhutovich] You write, Dmitriy Vasilyevich, that "Khrushchev inherited from Stalin one of his poorest features: in words he recognized and said one thing, but in practice he did something else, sometimes contradictory. Brezhnev perfected this "method" and brought the economy to the end of its tether. How was this manifested in the economy?

[Valovoy] After the 20th Party Congress I participated in the discussion of all the drafts of the five-year plans and the results of their implementation. During this period—from the 6th through the 11th five-year plans—there was not a single case where assignments for the output of the most important kinds of products and the release of facilities for operation earmarked by the five-year or annual plan were completely fulfilled. Therefore the unbalancing of the national economy both along the vertical and along the horizontal, like radiation penetrated into all the pores of the economy. The divergence between word and deed in the economy is obvious both from the example that is given and from the actual goal of socialist production.

Theoretically, in words the goal of production under socialism is more complete satisfaction of the needs of the people with the least possible expenditures. This is the essence of the basic economic law of socialism. It is

reflected in all party programs. But in practice the goal of the enterprises and the branches is to increase the production volume in rubles. The more expensive the products that are produced the more successfully the plan is fulfilled. In terms of gross output the five-year and annual plans are fulfilled and overfulfilled, but in terms of the output of real products, they are not fulfilled. Therefore each year for each ruble there are fewer and fewer consumer goods in physical-substantial terms. The most important kinds of food products and industrial necessities produced in 1985 per ruble of national income was half as much as in 1965 and one-fourth to one-fifth as much as in 1950.

It goes without saying that the value calculations of the effectiveness of production and the higher standard of living constructed on an inflated gross output in rubles are bad at their very basis. After all, one cannot fill up on rubles! One needs the simple but real product written about by Aleksandr Sergeyevich Pushkin:

*He scolded Homer and Theocritus/And also read Adam Smith/And was a profound economist,/That is, he was able to judge/How the state gets rich/And on what it lives, and why/It does not need gold,/When it has a simple product.*

[Vyzhutovich] Judging from the lack of "simple products" in our stores, there has also come to be a shortage of "profound economists"?

[Valovoy] I think that many business leaders and "scholarly economists" have not only not read Adam Smith, but have not burdened themselves with an in-depth study of the works of Marx, Engels and Lenin either. Their incompetence and lack of understanding of the essence of economic laws, in my opinion, have played a quite significant role in the fact that the barbaric invasion of gross output has not only continued under the 12th Five-Year Plan, but has reached its apogee.

[Vyzhutovich] How could this happen?

[Valovoy] The 12th Five-Year Plan and the Basic Directions for the Development of the USSR National Economy Up to the Year 2000 are based on the previous cost principles of management. It attaches paramount importance to the growth rates of commodity (gross) output on the basis of which, as before, one determines the growth of labor productivity, the wage fund, and savings on material resources. During the years of the 11th Five-Year Plan the gross social product in actual prices increased by almost 30 percent. This means that for every percentage point of increase in volume in rubles under the 12th Five-Year Plan, it was necessary to find 30 percent more rubles. This is an objective factor. Now the gross social product has exceeded 1.4 trillion rubles. Each percentage point of increase requires 14 billion rubles, and a 5-percent increase—70 billion rubles. This will increase from year to year. Where are we to get it? It

is necessary to travel the trodden path: to expand repeated accounting for objects of labor, to "dust off" the inexpensive assortment, and to increase the cost of products by all available means, including increasing prices and profitability norms. Otherwise, people will be left without earnings!

[Vyzhutovich] Writing in an OGONEK editorial before the restructuring you talked about the recalculation of Academician Glushkov according to which harm to the national economy caused by the dominion of the gross output, even in the 1970's, had exceeded the material losses from the Great Patriotic War several times over. Perhaps it would be worthwhile to publish this calculation now.

[Valovoy] I do not know if the author has kept them in his files. At the time when Viktor Mikhaylovich revealed his calculation to me there could be no question of his publication.

[Vyzhutovich] You do not recall the figures?

[Valovoy] I remember them. But they are hopelessly outdated. The wastefulness is now on an entirely different scale. Now the material-intensiveness of their national income is twice as high in our country as it is in developed capitalist countries. And the material expenditures comprise about 60 percent of the gross output. This is more than 600 billion rubles a year. If we were to run the economy at the average level of modern achievements of scientific and technical progress, this sum could be reduced by half. For comparison, let us recall that the amount of the overall harm caused through direct theft and destruction of public and private property during the years of the Great Patriotic War amounted to 679 billion rubles in prices of that period.

[Vyzhutovich] But yet the Central Statistical Administration was always announcing a reduction of the material-intensiveness of production.

[Valovoy] The explanation is quite simple. We determine the material-intensiveness by the expenditure of raw and processed materials, not per unit of a concrete item, but per ruble of commodity output. Increasing expenditures of live and embodied labor on an item serves as the basis for a higher price. As a result, the more rapid growth of the volume of production in rubles not only masks the increase in the material-intensiveness of products, but also creates the illusion that it is being reduced.

[Vyzhutovich] In various years, gross output has been repeatedly condemned and cursed, but it prevails as before. Why?

[Valovoy] Gross output is the standardbearer and the embodiment of the cost-extravagance system of management. And as long as it is in effect, it cannot get along without gross output.

[Vyzhutovich] Some people explain its viability by the fact that scholars cannot find a replacement for it.

[Valovoy] No replacement for gross output is required. This indicator is necessary and even irreplaceable for certain purposes. But by its very essence it is quite unsuitable for measuring the rates of production and labor productivity, evaluating the operation of enterprises and branches, or determining on its basis the wage fund, the material-intensiveness of products....

[Vyzhutovich] And what indicator is suitable for this?

[Valovoy] Each economic process requires its own measurement indicator. Take, for example, net output. Net output is gross output minus material expenditures. It is necessary to measure the newly created value (wages plus profit). Net output and gross output should not be compared to one another. Each of these indicators has its own purpose.

[Vyzhutovich] Does it turn out that in economics all indicators are unsuitable?

[Valovoy] Indicators are good, but when they are not used for their own purpose they become unsuitable. After all, could one use a thermometer to measure pressure or listen to the lungs?

[Vyzhutovich] If incorrect application of indicators distorts the picture, it turns out that we do not have reliable data concerning the situation in the economy.

[Valovoy] Unfortunately, this is true. I am not speaking about statistics as a whole, but as concerns measurement of economic growth and determination of effectiveness, these data do not correspond to reality. Instead of the value of the total social product, our statistics use the gross turnover which includes repeated accounting for objects of labor. Gross turnover is now twice as great as the value of the total product. Value indicators and calculations determined on such an artificially high basis are similar to a curved mirror. This can be shown clearly from the example of labor productivity. As we know, the growth of labor productivity means an increase in the output of consumer values with reduced expenditures of live and embodied labor per unit of the item. In other words, a reduction of production costs produces an increase in output. Therefore an increase in productivity should be accompanied by a reduction of prices.

In a report dedicated to the 113th anniversary of the birthday of V. I. Lenin, calling for "savings not only on live labor, but also on embodied labor, labor embodied in machine tools, other machines, raw and processed materials," M. S. Gorbachev said: "Increasing labor productivity without reducing the cost of the product, Lenin thought, is absurd if this is taken as a general phenomenon." This absurdity is doubled in our statistics: the growth of labor productivity not only does not

reduce the cost of products but, on the contrary, the growth of prices is one of the essential factors in "increasing" labor productivity. In other words, the economy is upside down.

[Vyzhutovich] Perhaps people are right when they say that we essentially have no economic science?

[Valovoy] We have economic science, but its level leaves a great deal to be desired. In the words of D. I. Mendeleev, "science begins when people begin to measure." Physics and chemistry, as we know, became sciences only when precise units of accounting were found and the laws of their development were recognized. For example, it became possible to study and apply electricity after the establishment of the volt and the ampere. Economics, like any other science, cannot develop effectively without scientifically substantiated measurements of its results. It needs value "volts" and "amperes." But up to this point we are not determining the value of the total social product but are using instead of it a surrogate in the form of the gross turnover.

[Vyzhutovich] A new indicator was introduced in 1988—the gross national output. What is it?

[Valovoy] This is a very important indicator. It reflects the final results in both production and nonproduction activity. It eliminates repeated accounting for objects of labor. This indicator is utilized extensively in world practice. But there it is an overall measurement of economic growth—from plants, firms and corporations to the economy as a whole. But the method of determining the national product applied in our country can be compared to making raisins from—cinnamon rolls. First one calculates the volume of gross output of the enterprises and the branches, on the basis of which one calculates the gross social product. And only then at the level of the national economy does one "extract" the national product from the gross output. As a result, the national product, like the national income, is transformed into a "pocket" indicator for internal use by the State Committee for Statistics. Both of these extremely important economic indicators are severed from life and have no practical significance. In the branches, regions and enterprises, as before, gross output prevails in the form of commercial and sold products.

[Vyzhutovich] How, in your opinion, does one explain the low level of economic science?

[Valovoy] One of the significant causes, in my opinion, is the underestimation or, rather, the ignoring of economic theory. It has long been known that there is nothing more practical than scientifically substantiated theory. And during the period of the formation of the socialist management mechanism, the political economy of socialism as a science was rejected in principle. The first textbook on political economics of socialism appeared after Stalin's death—in 1954. Models of textbooks twice served as an occasion for meetings between Stalin and

economists. And in spite of the fact that the textbook was published after Stalin's death, it fully corresponded to the description Marx gave to vulgar political economics.

[Vyzhutovich] What is the essence of it?

[Valovoy] "Henceforth it was no longer a matter of whether one theorem or another was correct or not," wrote Marx about vulgar political economics, "but whether it was useful or harmful for capital, convenient or inconvenient, whether it agreed with the police considerations or not. Disinterested investigation takes a back seat to battles of hired scribblers and dispassionate scientific research is replaced by prejudiced, obsequious apologetics."

But before it degenerated into vulgar economics, bourgeois political economics made an enormous contribution to the development of economic science and because of the works of Adam Smith and David Ricardo, became, according to the founders of scientific communism, classical. As concerns the political economics of socialism, in spite of the fact that it is based on the most advanced and progressive teachings, in practice from the moment of its appearance was adapted for propagandizing the ideas of the "outstanding thinker of all times and nations" who raised economic theory "to an unprecedented height." Like priests in a "Marxist parish," we asserted day and night that we live in an age when "all roads lead to communism"!

After these "phonograph records" were replaced the theoreticians became engaged in the development of the concept of "developed construction of communist society," whose grandiosity and enormity were illustrated by the slogans that promised rivers of milk with shores of meat by the 1970's. In the party program adopted under Khrushchev, it was earmarked to produce 26 million tons of meat and 123 million tons of milk in 1970, and in 1980—34 and 185 million tons, respectively. In 1987 they produced 18.6 million tons of meat and 103.4 million tons of milk. If we continue to progress at these rates, the assignments for 1970 will not be fulfilled by the year...2000.

And under Brezhnev the social sciences were fully engulfed by the concept of "developed socialism" with its pompous "five-year plan of effectiveness and quality" and "economical economy."

In other words, to use Marx's terminology, it was no longer a matter of whether one theorem or another was correct or incorrect, but whether it was useful for the creators of "new" concepts of socialism. Is it convenient or inconvenient for their "designs"? Does it agree with the official estimates and conclusions "concerning success in the construction of communism" or not? Disinterested investigation gives way to competition for the creation of methods that transform talentless economic



management into "the most impressive successes." Dispassionate scientific research is replaced by prejudiced, obsequious apologetics of scientific communism.

When our immediate followers look more deeply into our "successes" they will be impressed most not by our barbarian extravagance about which we now speak and write openly. They will be amazed by our out-and-out genius with which we invented a mechanism for transforming extravagance into... "effectiveness" and "immense successes in the creation of a material and technical base for communism."

[Vyzhutovich] A question automatically arises here: How did we manage to use the extravagant cost mechanism to transform the backward tsarist Russia into one of the two generally recognized superpowers?

[Valovoy] A number of objective and subjective factors contributed to this. First of all, one should say that during the prewar period and the first postwar five-year plans the increase in output took place mainly as a result of the construction of new enterprises and the growth of the number of workers and employees. We had to create practically all branches of modern industry at any price from a dead standstill, and after the war we had to restore them from ashes and ruins. This was a period of extensive development. Expenditures and results basically coincided at that time. At that time people were correct in saying: Without significant expenditures you will not obtain great results. But after an immense production potential had been created in the country and conditions appeared for increasing the production of consumer values with the same or even reduced expenditures, questions of the effectiveness of production and the quality of products came to the fore. But since the work continued to be evaluated and the collectives continued to be motivated according to expenditures, a reduction of these led to a drop in the production rates in rubles and a decrease of the wage fund. The drive for rates and wages blocked off the road to technical progress and increased production effectiveness. A vicious circle was formed: the better you work, the worse you are paid.

Among the subjective factors was the immense revolutionary enthusiasm of that period. But on the other hand one cannot forget about the free labor of millions of prisoners, tens of millions of peasants who for many years had worked for the "empty work day," the low level of wages for workers and employees, and also the symbolic pensions and stipends.

[Vyzhutovich] At the 19th Party Congress, it was presumed that even the Politburo did not have true information about the real processes in the economy. Is this true?

[Valovoy] Demand, as we know, generates supply. The wits say that the caviar disappeared from the stores because nobody had asked for it for a long time. The

same thing happened with reliable information about the real situation in the economy. Previously there was simply no demand for it. Moreover, frequently the publication of the regular announcements of the results of the development of the national economy were detained "above" and it was demanded that they be put into the appropriate "condition." One falsification was piled on top of another and now it is not so simple to remove these opportunistic "overlays" in order to see the initial picture. Apparently this is explained to some degree by the fact that in spite of the demand for reliable information that has arisen, the statisticians continue to grind the same old "street organ," as before "gratifying" us with millions of tons of iron ore, rolled metal, steel and cement, sulfuric acid, and caustic soda. In their long announcements they list in detail how many machines were produced for applying fertilizers and how many self-propelled mower-levelers, about which many people do not have the foggiest idea. At the same time they "do not have enough space" for data concerning the "simple product": how much meat, milk, fruits, vegetables and other products we actually consumed per capita per year and what is the average sales price taking into account consumers' cooperation and the kolkhoz market in the various regions.

During the 1950's for 10 kopecks (a ruble in old money) in a dining room I could get for a meal a vinaigrette, cabbage soup, goulash (or cutlass) and coffee with milk (or tea). I regularly ate at a restaurant for 20-30 kopecks, not including drinks. At the present time you could not find such a meal in the dining rooms for a ruble or in a restaurant for even 2 or 3 rubles. A 10-fold price increase for public dining! According to the calculations of specialists, an increase in the average retail prices during 1971-1975 produced about a 30-percent increase in commodity turnover, 1976-1980—49 percent, 1981-1985—57 percent, and 1986-1987—more than 60 percent. And yet there are many categories of workers whose pay has remained at the same level since the 1950's, for example, teachers in VUZes, including docents and professors. Do statistics contain data concerning the actual increase in prices? If so, is it not time to put them into circulation? For without them we would not be able to do a reliable analysis of the dynamics of the standard of living, compile a minimum standard, or earmark scientifically substantiated prospects for improving the well-being of the people.

[Vyzhutovich] Certain economists explain the price increases by the need to strengthen our financial position. In their opinion, many of our prices have been reduced.

[Valovoy] All variants of overcoming the imbalance between money and commodities have their pluses and minuses. As concerns price increases, this is like a painkiller. While removing the pain, for a certain period it drives it inward. But with time it becomes even stronger and is aggravated. We have been abusing this "medicine" too long. Certain categories of commodities

have "taken" it on instructions from the authorities, but for the majority of goods the prices have increased unofficially, which is much worse since in this case there have been no restrictions. At times the illusion was created that the problems have been solved but in fact they were being aggravated even more and many of them became chronic. Discussions about reduced prices, in my opinion, are theoretically groundless and in practice they do not correspond to reality. One can speak only about a lesser or greater degree of their increase and the violation of the correspondence between prices and items. How can one come up with reduced prices if the multiple increase in productivity is accompanied by a constant or periodic growth of prices? Increasing the less elevated prices each time has been and will continue in the future to be an objective basis for the regular chain reaction of price increases.

One must keep in mind this "trivial" fact as well: more and more goods are appearing whose prices are beyond the means of even the highly paid categories of workers with earned income. As a result, a significant proportion of the best goods for cultural and domestic use which we produce or purchase abroad are becoming the property of speculators, bribe takers and other "specialists" who have unearned incomes. Thus whether we like it or not we are stimulating underground business.

[Vyzhutovich] For 3 years we have been speaking about strengthening the social direction of our plans. But in the report at the party conference, it is stated that the majority of enterprises of union ministries and departments are trying under any pretext to avoid the production of consumer goods. It would hardly be the case that our ministers and enterprise leaders do not understand the importance of this task. What then is the matter?

[Valovoy] If we were speaking about individual leaders, the matter would be simpler. One could be replaced, another could be reeducated, and the problem would be solved. But this is the majority of them. And it turns out that the sergeant major is keeping up but the troops are not. What is the matter? There are several causes for this, but the main one, in my opinion, is the poor method of determining the wage fund. For the majority of consumer goods are produced in poorly adapted and poorly mechanized shops. The expenditure of wages per ruble of commodity output in the basic production is 5-8 kopecks, and for consumer goods—50-80 kopecks. As a result, consumer goods provide for 1-2 percent of the plan but they eat up up to 10 percent of the wage fund.

[Vyzhutovich] What is the solution?

[Valovoy] It is necessary to organize the works of shops and productions according to the principles of cooperatives, granting them complete independence. No planned assignments and certainly no wage fund should be established for them. They should work according to contracts and orders, extensively utilizing contractual

prices. The enterprises and branches should be economically motivated to produce consumer goods. The sum of their sales should be included in the volume of the national product and the net output of the given enterprise. And it should be completely in charge of the profit it receives from consumer goods.

[Vyzhutovich] Why is it that in shops and plants that have been rented to cooperatives under the same conditions there is a multifold increase in labor productivity and a sharp increase in the output of products in keeping with agreements and orders?

[Valovoy] These collectives, freed from the fetters of the extravagant command system of measurement immediately implement the IEO [Russian-NEP]—introduction of elementary order. In other words, they bring the economic process in line with common sense....

[Vyzhutovich] It turns out that the cooperative form of production organization is more effective than the state form, and we should force a transfer of state enterprises to cooperatives?

[Valovoy] That is the greatest deception. The administrative-command system has suffocated all forms equally—individual, cooperative and state. At the present time individual workers, cooperative members, and renters have been given independence in reality while state enterprises and kolkhozes have been given it in words. Therefore while recognizing the important role of the development of cooperation and rental, I think that the main path for the radical economic reform should be granting all state and kolkhoz-cooperative enterprises economic independence in reality and not on paper! And then, taking advantage of the immense possibilities of the socialist system of management, they will be able to quickly make a radical breakthrough in the development of our economy.

[Vyzhutovich] Where do you see the guarantee that this time the extravagant cost mechanism will be disassembled?

[Valovoy] In my opinion, two factors should be singled out. The first is glasnost. At the party conference M. S. Gorbachev demanded that we take an exacting and principled attitude not only toward the mistakes of our predecessors, but also "toward ourselves, toward the present, to analyze not only the successes but also the mistakes and lessons of our activity throughout the past 3 years, the mistakes and blunders made during the course of restructuring." I would call democratization and glasnost the standardbearers of restructuring in all spheres of activity, including the economy. The other factor is objective. We simply no longer have that abundance of material and labor resources which are necessary for the earmarked doubling of the volume of industrial production in rubles as compared to the level

achieved. In other words, we have no other alternative except to put an end to extensive growth and to change the economy over to the intensive path of development.

[Vyzhutovich] In your book, you discussed the negative reaction to the publication in PRAVDA of the economic survey entitled "Measurement of Acceleration." But in the article entitled "The Economy in Human Measurement" which was published in PRAVDA on 19 January of this year, you showed that the drive for gross output is continuing. What was the reaction to this publication?

[Valovoy] Times change rapidly. Two years ago many businessmen were hoping that if we continue to make enough noise about the restructuring, everything will take care of itself. But the clear-cut party course toward making the restructuring irreversible forces many of us to rethink our actions and decisions. After the second article an authorized commission was created and instructed to "consider the questions raised in the article and within 20 days permit the appropriate proposals to the commission of the Politburo of the CPSU Central Committee for rearranging organizational structures of central economic agencies, ministries and departments of the USSR."

The commission's conclusions on the whole deserve serious attention. In particular, they recognize the need "to eliminate unjustified products with various profitability," to prepare for extensive application of the indicator of net output, and a number of other things. The commission's materials also contain contradictory proposals. In its opinion, "it is necessary to firmly determine that commercial output is a population indicator and is used only for analytical purposes and not for evaluating the activity of complexes and ministries." This is self-deception. How can one declare commodity output to be a calculation indicator if an increase in the rates of its growth from the level achieved is approved by the USSR Law on the Five-Year Plan for the 12th Five-Year Plan and "bringing it up" at any price is a primary task of all managers from top to bottom? Up to this point, acceleration is judged primarily in terms of these subjects. And the main thing, as I have already said, is that the base wage fund is "bound" to the volume of commodity output. A reduction of the latter automatically leads to a reduction of the former. The collective can survive without acceleration, but without wages? What value then can be ascribed to the judgments of the "fathers" of the reform concerning the utilization of commodity output "for analytical purposes"?

Another of the commission's conclusions that seems questionable to me is that "the general methodological approach to the utilization at the national economic level of systems of generalizing indicators adopted at the present time is substantiated." With this estimation of the essence of the question, it cannot be ruled out that under the 13th Five-Year Plan instead of the value of the global social product, in spite of Marxist-Leninist economic theory, they will use the gross output which

includes repeated accounting for the value of objects of labor. The data obtained on its basis concerning economic growth, effectiveness and other things will be distorted, as before, as in a curved mirror.

[Vyzhutovich] But yet when the Law on the State Enterprise was introduced it was clearly stated: everything that contradicts it must be abolished.

[Valovoy] That is true. But life is complicated. In the first place, the basic indicators for the 12th Five-Year Plan, which legitimize the cost rates of development, were approved by the Supreme Soviet and have the same legal force as the Law on the State Enterprise. In the second place, since as before businessmen are strictly responsible primarily for providing for rates, they are striving to neutralize the Law on the State Enterprise with new instructions.

[Vyzhutovich] Certain economists are against high rates of development during the course of the restructuring. For example, N. Shmelev asserts that for the 12th Five-Year Plan "unnecessarily high growth rates have been established." In his opinion, it is impossible to restructure and accelerate at the same time.

[Valovoy] Let us clarify what rates we are talking about. If we have in mind increasing the growth rates of commodity (gross) output from the level achieved, my negative attitude toward this is expressed simply in the book: "For a long time many business leaders who have now gone to a well-deserved rest worked unstintingly on the creation of the appearance of well-being in the areas entrusted to them. To this end they artificially expanded the repeated accounting for materials and machines, increased the material-intensiveness of products, "eroded" the inexpensive assortment, and expanded the expensive one. In general they increased the cost of products as much as they could and by changing labels and names they increased prices and at critical moments they would not even shrink some artificially increasing prices. But everything they so zealously marked up and twisted ended up in the level achieved, and now even simple maintenance of it is frequently unthinkable without applying the same means and methods with which it was achieved."

But it is quite a different matter when we are speaking about high growth rates for the production of meat, grain, milk, tape recorders and other goods for cultural and domestic purposes that are in increased demand. Unless their growth rates are high, the restructuring will be only another good wish. In brief, we should speak about high rates of a new quality of growth, that is, a higher level of satisfaction of the needs of the people for food, housing and clothing. It is not without interest that this is what was discussed in our conversation with the well-known American economist, Nobel Prize winner



Vasiliy Leontyev. He was recently in Moscow and familiarized himself with the work of the capital's enterprise Frazer. The American economist is immensely interested in our restructuring and wishes it success.

[Vyzhutovich] And how do you feel about measuring the new quality of growth through profit?

[Valovoy] Profit is an important quality indicator. But by its very essence it is unsuitable for measuring economic growth.

[Vyzhutovich] And for the role of the major indicator when evaluating the work of the collective?

[Valovoy] Work can be evaluated objectively only with a system of physical, labor and value indicators. No indicator can reflect all aspects of the multifaceted activity of the collective and therefore I have long been categorically against the idea of a main indicator in the economy, and this means also the cult of profit. I will not be giving you any secrets if I say that there are many ways of increasing the sum of profit without increasing the added product in physical-substantial form, of which it is the monetary expression. Under the conditions of private property, profit is always the goal of production. There are many means of obtaining it, including increasing prices, bribes, espionage, and so forth. Under socialism the goal of production is different—satisfying the needs of the people. The drive for gross output has distorted it. The goal of restructuring is to put everything back in its place. The desire of even the best motivations to place primary importance on profit and to make it the goal of production instead of gross output leads us in the other direction away from socialist principles.

In 1985 the national income increased by a factor of 2.3 as compared to 1965, and profit—by a factor of 3.7. But hardly anyone could bring himself to speak of a corresponding increase in the intensiveness of labor. This means that the pumping out of paper profit was in full swing. Therefore for each ruble of profit there are less and less real consumer values. Under the conditions of self-financing the artificial increase in profit on paper is accelerating appreciably....

[Vyzhutovich] In a report from the meeting of the Presidium of the USSR Council of Ministers published in PRAVDA on 30 May of this year you spoke about the creation of "planned anarchy" in our country. What does this mean?

[Valovoy] Plan and anarchy are antipodes. And, of course, we have not planned anarchy. It was created because of the regular failure to fulfill planned assignments for producing the most important kinds of products, interruptions of contractual deliveries over many years, and violations of the deadlines for introducing new facilities. The lack of proportionality infected one area of the national economy after another. As a result, in the planned economy anarchy was developed in the

very worst form. And unless we resolutely put a stop to it now we might end up in a no less difficult and destructive crisis than the one that existed in the first stage of capitalism. To underestimate this danger means to ignore objective economic laws. Under capitalism the laws are manifested randomly and production is regulated the same way. We do not have conditions for random manifestation of laws and therefore a random regulator does not work. An increase in the lack of balance puts the planning regulator out of order. Gradually production becomes less and controlled.

[Vyzhutovich] When speaking in our editorial offices you said that unless we take resolute measures under the 13th Five-Year Plan the economy might become uncontrollable. Has this danger passed now?

[Valovoy] In theory, yes, but in practice it still exists. Everything depends on the implementation of the radical economic reform and the introduction not in words but in deeds of an anticost economic mechanism. In 1987, 23 percent of the enterprises and associations failed to fulfill agreements and in the machine-building complex this figure was 55 percent. The overall failure to deliver products amounted to almost 10 billion rubles. Expansion of the disproportions in an already fundamentally unbalanced economy is continuing. In the decree of the CPSU Central Committee and the USSR Council of Ministers No 816 of 17 July 1987 it is suggested: "Prohibit the USSR Gosplan from presenting drafts of unbalanced plans for the consideration of the USSR Council of Ministers." At one of the meetings of the "business club" of PRAVDA in which representatives of many branches of the national economy participated, I asked: "Tell me, please, does any of you have an unbalanced plan?" "The question is posed incorrectly," they answered me in chorus. "Ask if any of us has a balanced plan?" Alas! There were none.

I think that people who develop and approve unbalanced plans and issue unrealistic orders and other normative documents should bear material responsibility. From my experience working as a member of the USSR People's Control Committee I know that administrative measures are sometimes not as effective as the loss of two or three salaries. For it has long been known that one's own ruble is more valuable than a million of someone else's.

Numerous unplanned decrees on economic issues also contribute to a disturbance of the balance. According to calculations of specialists of the USSR Gosplan, by 1985 we had adopted so many party-state resolutions concerning the development of individual branches, regions, cities and the most important areas of scientific and technical progress that in order to implement them it was necessary to use up the capital investments for up to the year...2050. The method of "solving" problems through adopting decrees during the years of stagnation was a universal "way out" of the situation. In the majority of cases after they had been adopted the situation did not improve but continued to worsen. Therefore an entire

series of these decrees were adopted for a number of problems. When a new decree was adopted they tried to forget about the previous ones. In a speech at the close of the 19th Party Congress, Mikhail Sergeyevich Gorbachev called the failure to fulfill decisions that have been made "our chronic disease." Unfortunately, the mechanism for adopting these decrees and special programs has not shut down under the 12th Five-Year Plan either.

[Vyzhutovich] Your opinion regarding acceleration: have there been any or not?

[Valovoy] It depends on how you measure it. If you measure it in terms of volume in rubles, there is a certain amount of progress. But if you measure it in terms of the satisfaction of the essential needs of the people, there is no justification for optimism. This was discussed openly at the 19th All-Party Conference. It is written in its resolution that as yet "there has been no radical breakthrough in economic, social or cultural development."

[Vyzhutovich] Speaking in Uzbekistan, Mikhail Sergeyevich Gorbachev said that restructuring is a fairly lengthy period. But there are questions which "cry out and require attention and resolution today...." In your opinion, which are the "burning issues" in the economy?

[Valovoy] Unfortunately, there are not enough fingers on my hands and feet to enumerate them....

[Vyzhutovich] But on which of them does the "radical breakthrough" primarily depend?

[Valovoy] Let us single out two of them. First of all—scientific application of objective economic laws and measurement of economic growth.

[Vyzhutovich] But yet now everyone recognizes the existence of these laws. And you also write that the denial of them has been overcome.

[Valovoy] There is an immense distance between recognition and practical application of economic laws. Yes, we have recognized them but so far at best we are adapting them to reality. For scientific application of laws we need reliable measurement indicators, each of which should be utilized strictly according to its purpose. The basic economic law of socialism is more complete satisfaction of the needs of the people. For this we need food, housing and clothing. This is what should be given primarily importance in our plans when we earmark assignments for the most important kinds of objects of consumption.

As under capitalism, net output (national income) and conventional net output (national product) should be used as the generalizing indicator of economic growth. But this must be done under the strictest condition that they should be calculated not in words (as is now the case—commodity output—but in deeds. These indicators are cost indicators. Therefore material and moral

stimulation of them can be combined to changing the speedometer for the sake of greater output and bonuses for above-normative travel time and savings on rubber. If our goal is to satisfy needs, then the evaluation of the work of enterprises and all kinds of incentives should be based on the quantity and quality of the actually produced product. Then all cost measurement indicators (not only commodity in gross, but also variants of mint output) will become independent ways of registering the state of affairs.

[Vyzhutovich] And the second "burning issue"?

[Valovoy] Wage leveling and dependency. The incompatibility of socialism and wage leveling was convincingly shown in V. I. Lenin's brochure entitled "one more time about trade unions, about the current moment, and about the mistakes of Comrades Trotskiy and Bukharin" that was published in the wake of the heated discussions in January 1921. In the 41st thesis of the platform Trotskiy suggested: "In the area of consumption—wage leveling, in the area of production—shock work." Criticizing this point, Lenin wrote: "This is an economic absurdity, because it means severing consumption from production."

Unfortunately, we have gone beyond wage leveling and have raised this absurdity to the second power: those who do a poor job of using the land, machines, raw materials, and labor and financial resources are paid 2-3 times more per unit of the same product than the leading workers are. Since the wage fund is "bound" to growth output, its artificial increase, like a powerful vacuum cleaner, has annually put into circulation many millions of unearned rubles. The "standard provisions concerning the formation of the wage fund,..." adopted in light of the party and government decree of 1986 has increased the power of this "vacuum cleaner" even more.

In an interview in the newspaper IZVESTIYA the chairman of the USSR State Committee for Labor and Social Problems, I. I. Gladkiy, admitted that "wage leveling today has become one of the main braking mechanisms in our economy." In this connection he stated that "measures included in recent decrees concerning wages have created certain possibilities of eradicating this evil." In my opinion, there is no justification for such an optimistic declaration. Under the new conditions there has been a further weakening of the dependency between wages and the labor-intensiveness of the products produced.

Prolonged encouragement of dependency has made it a mass phenomenon. Many thousands of production collectives in industry, construction, agriculture and transportation as well as entire regions have consumed more than they have produced. Data of the Central Statistical Administration concerning the effectiveness of production which have "powdered" our brains for many years do not correspond to reality.

[Vyzhutovich] But how have we made ends meet and why is it we have not gone down the tube yet?

[Valovoy] In my opinion, three main sources have kept us on the surface. The first: the shameless exploitation of the leading workers, that is, nonreimbursible withdrawal of their net income according to the principle of "military communism" in favor of the dependent workers. Second: mass selling out of natural resources and purchase for currency of consumer goods which have been sold at high prices. Each ruble's worth of foreign currency has produced an average of 10 rubles' worth of commodity turnover in consumer goods. And third: income from alcohol, whose prices have repeatedly been increased and the number of decaliters that have been sold has also steadily increased. In certain regions alcoholic beverages have produced one-third (and sometimes even more) of the commodity turnover.

[Vyzhutovich] And how do these sources look under the new conditions?

[Valovoy] Income from alcohol has decreased sharply. This is good. But the bad thing is that a significant proportion of it has shifted to the hands of speculators and moonshiners, which increases the sum of unearned income that must be covered by commodities. The possibilities of the second source have also decreased sharply. And things are going badly with the first source. Reducing the flow of "oxygen" to the leading workers and transferring it to dependence can lead to a situation where many good collectives begin to "suffocate."

[Vyzhutovich] What new, in your opinion, has appeared in economic publications?

[Valovoy] Previously it was proved that under socialism everything is wonderful and under capitalism, on the contrary, everything is bad. Now there have appeared many articles whose essence amounts to the notion that everything abroad is wonderful and everything here is bad. It is the authors of such articles who claim the role of active participants in restructuring. The economy has become a sphere for the application of the talents of various specialists who have a cloudy and sometimes very primitive idea of it.

[Vyzhutovich] In an IZVESTIYA interview on 8 July of this year the editor in chief of PRAVDA V. G. Afanasyev said: "The courage of a political activist is manifested in his readiness to go against the current. Against the mode of thinking that prevails at the given time. Here I cannot but recall the article in PRAVDA by D. Valovoy with a sharp criticism of the cost mechanism of management. Or the well-known article by Academician V. Trapeznikov entitled 'Scientific and Technical Progress and Management.' As editor in chief at that time, I was given a hard time because of all of this." Were you suggesting that under those conditions criticism could change something?

[Valovoy] No. At that time we had set a more modest goal. In the middle of 1977 the plan for the "new" economic mechanism had been approved. Its publication had been delayed because of the discussion of the draft of the Brezhnev Constitution which had been approved by the session of the USSR Supreme Soviet in October 1977. According to the information at our disposal, after the festivities on the occasion of the 60th anniversary of October they would publish a document concerning the next economic reform whose groundlessness could be seen with the naked eye. The "new" economic mechanism increased even more the power of the extravagant cost mechanism that was led by the gross output. In my articles which were edited by the editor in chief personally, without mentioning this plan its principal points were sharply criticized. In order for them to appear before the official document did, the publication date for the articles was especially appointed right after the November holidays—the 9th, 10th and 11th of November 1977. This step caused indignation among those who had developed and approved the "new" economic mechanism. Some openly called V. G. Afanasyev and me dissidents. But the plan was "buried." A new commission was created which prepared a decree concerning the economic mechanism for 1979. It contained modest innovations, but in practice the "brakes were put on them too."

[Vyzhutovich] Why did you call your new book "The Economy in Human Measurement"? Is it really possible for the economy not to be measured in human terms?

[Valovoy] I used the figurative expression of Mikhail Sergeyevich Gorbachev. It is the best way of reflecting the goal of restructuring in the economy. Measuring the production volume and labor productivity in terms of the gross product, and the standard of living in terms of the income in rubles, in my opinion, is antihuman and contradicts not only the fundamentals of Marxist-Leninist theory, but also common sense. And it is right to call it an absurdity to the second power. This conclusion is also confirmed by the ideas of a person who is far removed from economic science—the writer Daniil Granin. In an article entitled "The Road to Common Sense" published in PRAVDA on 5 August of this year, he shares ideas that are close to mine and I am prepared to corroborate his every word: "For me, restructuring, democracy, and the earmarked reforms have one decisive quality—they return us to common sense. In this they differ from everything that has preceded them. They put things right side up and eliminate the absurdity of our life. Was it really not absurd when the enterprises worked not for the consumer but for the ministry? When the kolkhoz leaders are not gratified by a good crop or good weather. When it is better to plow under unharvested tomatoes and cucumbers and to give them to the people. In the stores the sales personnel greet us not joyfully but with vexation, just as a physician in a polyclinic or an administrator in a hospital. The consumer, the buyer, the passenger, is simply not needed by

anyone. His money is not needed.... They do not wait for him anywhere, and nobody is glad to see him. Restructuring is a reliable path back to common sense."

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**Economists Discuss Prices, Profit, Normatives**  
*18200126a Novosibirsk EKONOMIKA I  
ORGANIZATSIYA PROMYSHLENNOGO  
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[Article by V.A. Volkonskiy, professor and Doctor of Economic Sciences and A.P. Vavilov and I.Y. Arushanyan, candidates of economic sciences at the Central Economics-Mathematics Institute of the USSR Academy of Sciences, Moscow: "Prices, Rent and Budget"]

[Text] The conversion over to economic methods of administration requires an evaluation of the monetary measure for all resources available at the disposal of society: products, production funds, labor, natural and information resources. Up until now, the system of price formation and finances which should have performed this task, has done so in a poor manner. The prices for various types of products, which have remained steady over the course of decades, cannot furnish correct information on changes in the national economic requirements, on the opportunities for satisfying them or, it follows, on the values for the various items to society. As is known, land and other natural resources have still not received an economic evaluation. In our opinion, the latter must be revealed in the form of rent payments, the introduction of which changes sharply the entire system of wholesale and purchase prices and also the structure of financial flows.

#### On the Principle of Closing Costs

The reorganization of prices must commence with a mass recomputation of them. It can be carried out using conventional methods, as was the case in 1967 and 1982, and it does not require changes in the interrelationships between enterprises and their higher organs.

For example, let us take the price level for fuel and raw material resources. It is generally recognized that it is sharply lower than that for prices in the processing branches. The abolishment of a funded distribution for these resources would inevitably conflict with an intensification in their deficit. With such prices, the conversion of a large number of installations of the extractive branches over to a self-financing regime would be impossible.

Prior to the economic reform in the KNR [People's Republic of China], the system of prices, just as in the USSR, was characterized by a lower price level for fuel and raw material resources. The conversion over to the sale of a portion of these resources at free prices and an expansion in the independence of enterprises led to a

rapid growth in prices, particularly for grain, coal and a number of other types of fuel and raw materials (at times, by tens of percent annually). The Chinese economists recognize that lower prices for primary resources constitute an important factor with regard to an overall increase in prices.

Soviet economists have long argued over the "price formula." Here we have in mind a fully practical question: how should the impending recomputation be carried out—should the prices be developed at the level for average or maximum expenditures?

This question was developed in the most serious manner for the branches concerned with the use of nature. Here we have in mind the concept of increasing or closing expenditures. The expenditures for the production of a unit of output at any enterprise (deposit, basin) are generally recognized as acceptable only in those instances when they exceed the average cited expenditures for the additional production of this output or its replacements at other installations.

In particular, it follows from the principle of increasing expenditures that the price level must be determined by the profitability conditions of those fully efficient technologies which must be developed<sup>1</sup>. Once mazut is removed from the fuel balance by gas or coal, the expense required for using it must as a rule be such that it would be unprofitable to use it as the principal fuel at electric power stations, despite its higher operational efficiency. The plans call for a further expansion in the secondary processing of petroleum—thus mazut must be substantially cheaper than raw petroleum in order for cracking to be equally as profitable as primary processing.

It bears mentioning that petroleum is characterized by an exceptionally high growth in expenditures for extraction, owing to the development of larger and more suitable deposits and the need for converting over to smaller and more remote ones. Under these conditions, the prices must not only increase proportional to the expenditures, but in addition they must be considerably higher than the expenditure level at any moment (including "dynamic rent"). Otherwise, the economic evaluations will reveal a profitability for the national economy of a maximum volume of extraction today and unprofitability for a rational limitation upon its rates and the reserving of supplies in the depths and this will not be in keeping with the best long-range computations. Consideration of this factor and the profitability requirements for the processes of secondary processing underscore the fact that the price for crude petroleum must be established at the level of 110-130 rubles per ton. In other words, the expenditures become fully comparable to the international prices for petroleum. The time when one could be confident that practically all expenditures would be repaid has passed. At the present time, a plan is being developed in which the price for crude petroleum must remain lower than the price for mazut (the



average price for mazut at the present time is 38 and for petroleum—30 rubles per ton). This plan will provide a more favorable figure for a general increase in prices, but on the other hand it will deprive foreign trade and petroleum refining organizations of an instrument for carrying out economic measurements.

As a rule, the level of increasing expenditures turns out to be considerably higher than that for average expenditures and thus the proportion of unprofitable enterprises, with regard to prices developed on the basis of increasing expenditures, turns out to be not very large. Thus, such prices, not only in principle but also from a fully practical standpoint, make it possible to determine which enterprises are operating normally and which are inflicting losses upon the national economy.

In the processing branches, owing to the fact that the output of various enterprises as a rule is dissimilar in nature and above comparison and difficulties occur in attempting to separate the objective factors of production efficiency from the subjective ones, there is no possibility of computing the level of socially acceptable expenditures, as the saying goes, "on the tip of a feather." But the requirement for a small proportion of unprofitable enterprises must be carried out here. Otherwise, they are automatically removed from the sphere of action of the normal cost accounting mechanism, self-financing and competition with other enterprises. At the same time, if there is a large proportion of unprofitable enterprises, the question concerning their modernization or elimination in the near future becomes unrealistic.

At that time when the chief goal was that of increasing the production volumes and proper attention was not given to expenditures, a majority of the branches were characterized by an unjustifiably high differentiation of expenditures and enterprise profitability. Thus, for example, the fund profitability for enterprises of USSR Minelektrotekhprom [Ministry of the Electrical Equipment Industry] varies from -30 percent (unprofitable) up to +120 percent. Whereas in the processing branches the majority of the inefficiently operating enterprises succeeded in covering their raised expenditures by means of high prices, in the extractive branches the principle of establishing prices at the level of average branch expenditures was carried out rather successfully. And in a branch such as the coal industry, it was carried out even more than successfully: the growth in expenditures in the face of stable prices, soon after the mass price recomputations of 1967 and 1982, brought about unprofitability for the entire branch.

Thus the proportion of unprofitable enterprises is usually comparatively small in the processing branches. And the task of recomputing prices can be formulated as follows: to raise the prices in the extractive branches to the level of increasing expenditures, while excluding an increase in the proportion of unprofitable enterprises in the processing branches. Since the differentiation of

expenditures in the extractive branches is quite considerable, this requires a substantial increase in the overall level of wholesale and purchase prices, just as during previous recomputations. As a rule, prices must be lowered only to the extent of a real reduction in expenditures.

The reserves for a general improvement in national economic effectiveness are associated to a considerable degree with a reduction in the differentiation of profitability in all branches through the reorganization, modernization or elimination of unprofitable enterprises and raising average enterprises to the level of more efficient ones. In the extractive branches, this process must first of all be defined as a reduction in the material-intensiveness and energy-intensiveness of national economic output and as a slow-down in growth or even a reduction in extraction by means of installations (deposits, basins, mines and others) having higher expenditures.

#### **Price—An Obstacle To Growth in Expenditures or an Indicator for Distribution of Resources?**

The principal objection against the concept of closing expenditures appears at first glance to be completely reasonable: a price is not expected to cover the actual or anticipated expenditures. Excessively high expenditures for the extraction of petroleum and coal are often associated with mismanagement or with an increase in the national economic requirements for them. Why should mismanagement be "sanctified" by a high price? It would be better to establish a low price and to force enterprises to lower expenditures and the consumers—to lower their requirements and to not be in a hurry to develop extraction operations under complicated conditions or in remote regions.

This is correct, but only to the extent that we can hope to realize these goals—a reduction in expenditures for extraction and a lowering of the national economic requirements for resources. It is well known that the processes concerned with lowering expenditures take place slowly and involved difficulties. In some branches, they require great capital investments and extended periods of time. This is dependent to a decisive degree upon implementation of an entire system of measures aimed at increasing the interest of enterprises in lowering expenditures, in the inevitability of cost accounting responsibility and in maintaining competitive relationships between them. Attempts to achieve a reduction in expenditures with the aid of just one low price make self-financing impossible for a large number of extractive enterprises or they require the establishment of accounting prices or endlessly prolonged loans or budgetary subsidies, that is, they remove a consumer from under market control. Prices must not be viewed as an instrument for forcible pressure. Rather they are measurement instruments or, even better, rudders for steering economic activity and financial resources, similar to the force of steam in a machine. And this activity must be created by cost accounting interest and competition.

In the objection raised against closing expenditures, one sees a revaluation of the state's potential for effectively regulating prices through their centralized directive establishment and for countering the various manifestations of inflation: lack of balance, shortages in many products, growth in prices in the processing branches and others. In our opinion, the principle of mandatory price stability has turned out to be bankrupt, both from the standpoint of the possibility of implementing it and with regard to the feasibility of its use during a period of scientific-technical revolution, which imperiously requires a constant and timely alignment of prices in keeping with dynamically changing business conditions.

#### **Payments of Enterprises and Prices During the Transitional Period**

As is known, our political-economic science has rejected for a long period of time the theory of production factors as being bourgeois and anti-Marxist. Its "rational kernel" was at one time well understood and accepted by Soviet economists as a result of analysis of the best models. The system being proposed at the present time by some economists for withholdings for the state budget, by means of payments for funds and labor resources—represents a tilt towards the other side, towards the side for revaluating the role of "measurable" resources and to the detriment of the role played by the planning and administration factor (the effect of this factor in international economic science is usually referred to as business income or net profit. This was promoted by an insufficiently thought out interpretation of the best linear models in which, as is known, the net profit equalled zero. Unfortunately, it was not possible to determine in a reliable manner the contribution made by various resources to the overall result, based upon the use of objective scientific methods. Thus the question as to which portion of the withholdings for the state from enterprise income should consist of payments for resources and which portion—taxes, determined by the amount of profit or cost accounting income, continues to remain for the most part a matter of economic policy.

At the present time, the level for purchase prices and expenditures in agriculture exceeds to a considerable degree the level for the state retail prices and accounting prices, on the basis of which the processing enterprises of the food and light industry obtain their raw materials. The subsidies added to retail prices have already reached 60 billion rubles. A further increase in this difference will hinder an improvement in the economic mechanism within the agro-industrial complex, the development of the private plot economy and cooperative activity within the APK [Agro-Industrial Complex].

There are not many branches in which it is possible to expect a reduction in expenditures, in the absence of large additional capital investments, merely by changes in the economic mechanism. Quite possible, agriculture

represents one such branch. Here the losses from mismanagement are especially great and those gigantic differences in production efficiency which distinguish the best farms from their neighbors, which operate under similar natural conditions, make it possible to hope to retain here the overall level of effective purchase prices. (It is noted that agricultural expenditures increased by an average of 45 percent annually over the past 15 years.) However, a condition for this must be truly revolutionary changes in agriculture that are associated, in particular, with complete realization of the potential embodied in the USSR Law on Cooperation: so that the land and other resources of unprofitable farms fall into the hands of those individuals who can and wish to manage efficiently, so that grain crops will cease to be sown in those areas where potatoes should be planted and so forth.

On the whole, the two factors mentioned above—the unacceptability of a large increase in the overall price level and a high differentiation in the profitability of enterprises—for all practical purposes simply define the strategy for the establishment and a subsequent change in prices and financial normatives during the transitional period.

Production resources can be divided into general purpose, which can be used one way or another by various enterprises (capital investments, municipal transport, labor resources and to a considerably lesser degree—fixed capital) and specialized, the direction for the rational use of which is simply predetermined (minerals, timber and agricultural lands). Financial resources, for example capital investments, which an enterprise can use at its own discretion, conform to a better degree to the concept of a general purpose resource. However, this characteristic is by no means typical of productive capital, especially that which was created on the basis of centrally adopted decisions and plans. Nor are labor resources always sufficiently mobile. The introduction of payments for general purpose resources should be viewed as an improvement in the measuring instrument for expenditures and as a diversion of general resources by a specific enterprise. If it were not for the complicated nature of their evaluation, one would be more justified in including them in the production cost rather than withdrawing them from profit. These payments must extend to all of the enterprises. Moreover, the payment normatives should ideally be differentiated by regions or by objective characteristics of the resource (for example, the payments for labor resources—according to the educational level of the workers), but not according to indicators which are dependent upon an enterprise's profitability. The introduction of payments for general purpose resources leads to an increase in prices, as a rule, in almost the same volume as the volume of the payment.

A rent evaluation for specialized resources (differential rent) for a specific object concerned with the use of nature (for example, a bed or deposit) is defined as the

difference between a unified price for a product and the normative expenditures for its production at a given installation. Appropriate rental payments must be established depending upon the objective characteristics of an installation concerned with the use of nature, characteristics which affect the level of expenditures (depth of bed and quality of minerals, distance from consumers and others). They are collected only from enterprises which operate under the best conditions and hence, as a rule, have an adequate volume of profit for making their payments. Thus the price level is not affected by a differential rent type payment.

In the processing branches, withholdings which are dependent upon the amount of profit should ideally be established in the form of a progressive profit tax, which also does not raise the price level.

In the case of a high differentiation for enterprise profitability (and true efficiency), the payment volumes and normatives for general purpose resources (labor, land, productive capital) must be relatively low and a considerable portion of the resources needed must be added to the state budget and to local organs in the form of a tax on profit and the differential rent for specialized natural resources. As a reduction takes place in the differences in profitability and the authority of the extractive branches in the national economy is lowered, a change must also take place in the ratio for these and other payments.

In view of the fact that adequate stimuli have still not been created for realizing economies in wages, importance is attached to the establishment of a progressive tax on increases in average wages, which in the case of excessively large jumps (for example, more than 15 percent annually) can be practically prohibitive, reaching 3-5 rubles for each subsequent ruble of increase. Such a tax must be established regardless of whether or not the wage fund is formed on a normative basis (first form of cost accounting) or the cost accounting income is divided by an enterprise into consumed and accumulated portions independently. This tax can also be viewed as a type of progressive payment from profit, but its volume will be several times less than a profit tax.

#### **Payment Normatives for Labor and Natural Resources**

Plans are being developed at the present time for a massive recomputation of prices and normatives for the distribution of profit. Special importance is being attached to ensuring that they are predicated upon a unified methodological basis.

Serious fears are being aroused by the possibility of combining the needed increase in prices for fuel and energy with high payment normatives for labor resources, as introduced in the "Standard Statute On the Normative Method for Distributing Profit During the 1988-1990 Period Among Associations, Enterprises and Organizations Which Have Converted Over To Complete Cost

Accounting and Self-Financing." This statute establishes a payment normative of 300 rubles annually for a worker (200 rubles in regions having a surplus of workers). In addition, the plans call for an increase in the normative for withholdings for state social insurance in the sphere of material production—from 14 to 23 percent of the wage fund.

A payment for labor resources from profit and not from production cost creates the danger that it will not be taken into account in the price level during a price recomputation. And hence payments will be withdrawn only from those enterprises which have sufficient profit for making such payments. This would signify a continuation of the practice of illegal immobilization of resources among efficiently operating enterprises and the release from payment of poorly operating ones. In addition, it would lead to the retention of voluntarism among ministerial workers and it would be in conflict with the idea of converting over to economic methods of management.

Moreover, not only individual enterprises but even entire branches would lack sufficient funds for self-financing. This will create serious pressure with regard to an increase in prices.

Similar considerations apply in full measure to payments for land (municipal territory). The mentioned result can be avoided by taking into account, during a recomputation of prices, the payments for labor resources and land as necessary production expenditures. However, this would lead to an additional increase in the overall price level. According to our computations, the inclusion of the mentioned payments in the expenditure structure, when retaining the required ratios in the prices for energy resources (or the ratios between the increasing and average expenditures) would lead to an index for an overall increase in wholesale and purchase prices for the final product—of 21 percent and for gross industrial output—of 32 percent.

The plan for a massive recomputation of prices, developed by USSR Goskomtsen [State Committee on Prices], is characterized by a considerably lower wholesale and purchase price level (a growth of 6 percent for the final product and for industry—17 percent). However, this is achieved by means of a sharp lowering of prices and accordingly in the volume of rent in the extractive branches, particularly the prices for natural gas compared to the prices for coal and the prices for petroleum compared to the prices for mazut.

The question concerning the volume of rental payments in the extractive branches of industry is at the present time better developed from a theoretical and practical standpoint than the question concerning the volumes for the remaining financial payments. Computations based upon branch and inter-branch developments underscore the fact that their volume by 1990 must amount to

approximately 80 billion rubles. Of this amount, approximately 60 billion rubles will be for gas and petroleum extraction output <sup>2</sup>.

As a result of lowered prices for petroleum and gas (the plans call for an overall volume of rent in the extractive branches of 35-40 billion rubles), the stimuli for power capacity will be weakened considerably and progressive advances in fuel consumption and the processes for the secondary processing of dark petroleum products will turn out to be unprofitable. The prices for petroleum and gas cannot be used for a reliable economic evaluation of resource-conserving measures and foreign trade operations or for optimum ratios in the rates of development for the fuel-energy branches.

#### **Should Payments for Labor Resources Have a Unified Normative?**

The introduction of a unified payment for labor resources (with a lower normative for regions with a surplus of labor) is based upon the need for stimulating a reduction in the number of workers through the mechanization and automation of labor. However, with the existing economic mechanism and in the absence of a payment for labor resources, measures associated with the substitution of equipment for manpower turn out to be sufficiently profitable for an enterprise from a purely financial standpoint. By no means does its low financial effectiveness serve as the reason for the low rates of replacement for manual labor. The replacement of one worker provides an average annual savings of 2,400 rubles for an enterprise in its wage fund. The addition of another 300 rubles cannot intensify this stimulus to any great degree. It is noted that prior to the end of the five-year plan the average annual wage must increase by another 200 rubles and this is fully in keeping with the amount of payment. The argument that an evaluation of labor resources must be raised owing to an overall labor shortage is also less than convincing, under conditions in which manpower reserves are available at a majority of enterprises (according to various evaluations, from 20 to 45 million individuals).

The statement that state expenditures for public health, general secondary education and so forth must necessarily be covered by payments for labor resources is also incorrect. These services are rendered by the state to all members of society, independently of what proportion of the population works at cost accounting enterprises. They have as their goal not only the reproduction of workers but also an overall increase in the well-being of the entire population and thus they can be covered by any income from the state budget or local budgets regardless of the sources.

A serious argument in defense of payments for labor resources—their use for forming the financial funds of local soviets, intended for the social expenditures of a city, settlement or rayon. With the aid of such payments, the local soviets would be able to influence a change in

the size of a city or rayon population (by influencing the number of workers) and also the resources for the independent development of the social infrastructure. Such payments could perform the important function of measuring the true production expenditures by certain enterprises. However, towards this end the normatives for such payments can be differentiated considerably and established by the local soviets depending upon their true expenditures for social needs. Moreover, decisions affecting the use of the respective funds and the normative payments for their formation must be undertaken with the participation of enterprises located on the territory of a particular soviet.

Thus, this argument does not justify the introduction of a payment with a unified normative. In addition, under conditions involving the existence of a considerable proportion of unprofitable and low profitability enterprises, the budgets of local soviets should ideally be formed mainly by means of payments for land and profit taxes, while leaving income tax from the population completely at their disposal.

Only expenses for social insurance and for personnel training (higher, specialized secondary and professional-technical education) are directly associated with the level of payment and labor stimulation. Expenses for social insurance constitute approximately 18 percent of the wage fund. The recommendation to establish the normative not at 18 but rather at 23 percent is based upon the need for covering the expenses for all workers in the sphere of material production, including the non-productive sphere. The illegal nature of this basis is borne out by the same considerations cited in the case of payments for labor resources. It is our opinion that payments to the union budget for labor resources can be established only for regions having insufficient labor supplies and also for specialists possessing higher, secondary specialized or professional-technical educations. A one-time payment to specialists upon their completion of work at an educational institution must be rejected, since this method lowers the needed manpower mobility.

#### **Payment for Funds**

The differences in the actual operational effectiveness of the various enterprises are determined to some degree by the volume of their productive capital. However, the existing measuring instruments for it—initial or residual value—poorly reflect to an equal degree their present restorative value. Moreover, they do not reflect the effect of the funds on the actual operational efficiency of an enterprise, which often is dependent upon the rational nature of an enterprise's plan, its location and other factors that are not dependent upon the labor collective and a portion is determined by the contribution made by the collective.

The possibility called for in the "Standard Statute" for administratively establishing the various normative payments (2, 4, 6 or 8 percent) for the funds for various



enterprises is in conflict with the requirement for the legislative establishment of financial normatives. Since, with the exception of the actual work of an enterprise, there are no indicators which reflect the contribution by productive capital towards achieving it, the establishment of a relatively low payment normative for the funds and the introduction for the processing branches of a progressive profit tax with a unified scale appears to be the best method for taking these circumstances into account. Evaluations of the interchangeability of productive capital and labor resources with the aid of production functions will lead to approximately the same normative amount. The goal with regard to establishing a payment for funds is to weaken the parasitical aspirations of enterprises as they pertain to the gratuitous receipt of means of production.

Following the establishment of a strict system of self-financing, with a large portion of the capital investments consisting of the internal and borrowed resources of enterprises, the principal goal with regard to the introduction of a payment for funds should be that of weakening the interest of enterprises in obtaining gratuitous financing from the state budget. A payment for funds must then be collected only from funds created by means of gratuitous financing. The distribution of a payment to all of the productive funds would deprive it of this important stimulating effect and lead to an unnecessary increase in prices.

Under conditions involving a high differentiation for profitability, a progressive tax on profit (or on residual income, if use is made of the second form of cost accounting) must play an important role in alleviating the differences in the objective working conditions of enterprises, differences which often are not the result of good or bad work by a collective or its leaders. During the first stage, before the price and financial mechanisms have been adjusted, the differences in profitability and in the level of labor productivity turn out to be unjustifiably large and often are not associated with the operational effectiveness of an enterprise.

#### Our Recommendation

Within the TsEMI [Central Economic-Mathematical Institute] of the USSR Academy of Sciences, several variants have been developed for examining the branch levels for prices and the principal financial flows. The most acceptable of these are characterized by the following indicators:

- rental payments for minerals are fully taken into account in the prices of the fuel and raw material branches of industry;
- the turnover tax is reduced considerably and for consumer goods amounts only to approximately 70 billion rubles (taking into account the reform in retail prices—for goods alone, the consumption of which requires limitations: alcohol, tobacco, luxury items—approximately 50 billion rubles);
- the amount of profit in the volume of extra payments for labor and natural resources must be adequate for self-financing (in the total amount with amortization for renovation and payments for productive capital, it must cover the requirement for capital investments for branch development) and also for ensuring that the proportion of unprofitable enterprises does not increase—in all, approximately 230-240 billion rubles;
- the plans call for an increase in withholdings for state social insurance up to 14 percent of the wage fund—the plans call for payments for labor resources over and above the withholdings for social insurance in the amount of 10 billion rubles;
- the payment for production funds, with a normative of 3 percent, will amount to approximately 55 billion rubles;
- in the processing branches, instead of withholdings of free surplus profit for the budget, the introduction of a profit tax based upon a unified scale is proposed, a tax which will amount on the average to 35-38 percent of the net profit (less payments for general purpose resources), or 55-60 billion rubles;
- the plans also call for a progressive tax on growth in average wages.

Wholesale and purchase prices computed on the basis of such recommendations turn out to be higher by 11 percent than the existing ones for the final product and for gross industrial output—higher by 21 percent. With stable retail prices, the national income computed in consumer prices increases by 5 percent. The overall amount of subsidies increases by 10 billion rubles. This growth in subsidies can be exceeded by threefold by reducing them during a reform in retail prices.

It is our opinion that the proposed increase in wholesale and purchase prices is unacceptable. It is similar to those massive reviews carried out in 1949, 1967 and 1982. But there is no need to call for a higher level for prices.

The appearance of rent for natural resources changes considerably the structure for national income, both produced and used (see Table 1).

**Table 1: Change in Elements of National Income in Connection With a Review of Prices**

|  | In billions<br>of rubles | In percent<br>of National<br>Income |
|--|--------------------------|-------------------------------------|
| <b>National Income Produced</b>                              |                          |                                     |
| 1. Rent  | +84.8                    | +13.1                               |
| 2. Profit  | -10.5                    | -1.6                                |
| 3. Charges for social insurance                              | +8.8                     | +1.4                                |
| 4. Turnover tax  | -25.2                    | -3.9                                |
| including:   |                          |                                     |
| —for means of production                                     | -14.5                    | -2.2                                |
| —for consumer goods  | -10.7                    | -1.7                                |
| 5. Subsidies for retail prices*                              | +18.9                    | +3.0                                |
| 6. Subsidies for agricultural means<br>of production         | -8.0                     | -1.3                                |
| 7. Income from foreign trade                                 | -13.5                    | -2.1                                |
| <b>Total</b>   |                          |                                     |
| National income in consumption<br>estimates                  | +33.5                    | +5.2                                |
| National income in production esti-<br>mates                 | +55.1                    | +8.6                                |
| <b>National Income Used</b>                                  |                          |                                     |
| 1. Investments   | +10.5                    | +1.6                                |
| 2. Expenses in the non-production<br>sphere                  | +8.1                     | +1.3                                |
| 3. Personal consumption in<br>whole sale and purchase prices | +21.6                    | +3.4                                |
| 4. Increase in working capital and<br>others                 | +14.9                    | +2.3                                |
| <b>Total</b>   |                          |                                     |
| National income in consumption<br>estimates                  | +33.5                    | +5.2                                |
| National income in production esti-<br>mates                 | +55.1                    | +8.6                                |

\*Increase in subsidies indicated with a plus sign, although these subsidies are subtracted when summing up national income.

The indicators for national income in consumer prices are presently being provided in publications of the TsSU [Central Statistical Administration]. Personal consumption, the amount of which constitutes a large portion of the consumption fund, is measured in retail prices. During the review of wholesale and purchase prices, the retail prices in our computations were assumed to be stable. Thus that portion of national income computed in retail prices does not change. The overall increase in national income in consumption prices is 5 percent.

Whereas retail prices describe (under conditions involving a balance between supply and demand) the usefulness of

various types of products for consumers (consumption evaluations), wholesale and purchase prices—the possibilities and expenditures of production (production evaluations). In order to have a more significant measuring instrument for the overall amount of change in wholesale and purchase prices, use should ideally made of national income in which the entire production volume, including personal consumption, is taken into account in these prices (production evaluations). The difference between national income in production and consumption evaluations equals the difference between subsidies added to retail prices and the turnover tax collected from consumer goods. Taking into account the elimination of subsidies added to the prices for means of production, the overall volume of subsidies added to prices must increase by 10.9 billion rubles. The turnover tax for consumer goods is declining by 10.7 billion rubles.

**Table 2: Income and Expenditure Structure of State Budget, in percent**

|   | In effective<br>prices (1985) | In proposed<br>prices |
|---|-------------------------------|-----------------------|
| <b>Income—total</b>   | 100                           | 100                   |
| Including:  |                               |                       |
| Turnover tax  | 25.0                          | 13.1                  |
| Payments from profit  | 30.6                          | 29.8                  |
| Of which amount: payment for<br>funds                               | 9.8                           | 9.5                   |
| Free surplus profit   | 12.1                          | -                     |
| Taxes on profit and growth in<br>wages                              | -                             | 10.1                  |
| Other payments  | 8.7                           | 10.2                  |
| Rental payments   | -                             | 14.4                  |
| Resources for state social insurance                                | 6.5                           | 7.2                   |
| Other   | 37.9                          | 35.5                  |
| Of overall total of income in the<br>form of payments for resources | 17.6                          | 31.1                  |
| <b>Expenditures—total</b>   | 100                           | 100                   |
| Including:  |                               |                       |
| Financing of capital investments                                    | 20.2                          | 19.8                  |
| Subsidies for agricultural produc-<br>tion                          | 14.8                          | 15.2                  |
| Expenditures for socio-cultural<br>measures and science             | 32.5                          | 31.5                  |
| For defense   | 4.9                           | 3.5                   |
| For administration  | 0.8                           | 0.6                   |
| Other   | 26.8                          | 29.4                  |

During 1985, composed on basis of: Collection, USSR National Economy in 1985, Moscow; Finances and Statistics, 1986, pp 369, 548, 549, 558, 559, 560, 568; V.N. Semenov. Food Program and Finances, Moscow; Finances and Statistics, 1985, p 113. In proposed prices—our computations.

On the whole, during the review of prices, the change in national income in consumption estimates was less than the change in national income in production estimates by 21.6 billion rubles. According to our computations,

the changes in the elements of national income in 1990 may account for the values cited in Table 1.

The increase in withholdings for social insurance is associated with the establishment of a unified normative for all branches of the national economy at the level of 14 percent of wages.

The reduction in turnover tax is associated with two factors. More than one half of the total reduction is associated with converting the turnover tax for petroleum products into rent for the petroleum refining industry. As already stated, this type of turnover tax can be interpreted at the present time as a method for the withdrawal of petroleum rent. The proposed increase in prices for petroleum will lead to the emergence of rent in an obvious form.

An increase in the prices for petroleum will bring about a reduction in the income from foreign trade. Petroleum is presently being supplied to export organizations at low prices which do not include rent for natural resources. Thus a portion of the income from foreign trade can also be viewed as a form for the realization of rent. The establishment of prices for petroleum based upon increasing expenditures and the consideration of rent in its obvious form are making it possible to evaluate more accurately the volume of income being obtained directly from foreign trade activity. Changes are also taking place in the structure of state budgetary income and expenditures (see Table 2) and in the sources for capital investments. A considerable increase will take place in state budgetary income associated with payments for resources: rent for natural resources, withholdings for social insurance. The total amount of the increase will reach roughly 93-95 billion rubles. Decreases will take place in such traditional sources as turnover tax and income from foreign trade. These decreases will amount to 39 billion rubles. The overall increase in state budgetary income by means of the mentioned sources will amount to 55 billion rubles. Of the state budgetary expenditures, subsidies for agricultural production will increase by 11 billion rubles and expenditures for the non-productive sphere—socio-cultural measures, science, education and so forth—by 8 billion rubles and also for financing capital investments and other state budgetary expenditures. The increase in expenditures owing to these factors will amount to roughly 43 billion rubles.

#### Footnotes

1. The basic principles for determining increasing expenditures and the computations for their branch levels are set forth in the following articles: V.A. Volkonskiy, A.P. Vavilov. Prices and Increasing Expenditures, EKO, No. 4, 1987; A.P. Vavilov, V.A. Volkonskiy, A.I. Kuzovkin, N.V. Pavlov, N.Ya. Petrakov, Yu.P. Solovyev, Ye.G. Yasin. Methods for Considering Rents and Prices in Planning Computations. EKONOMIKA I MATEMATICHESKIYE METODY, 1986, Vol. XXII, Issue No. 5.

2. For more details, see V.A. Volkonskiy, A.I. Kuzovkin, R.V. Orlov, A.P. Vavilov, N.A. Volynskaya. "The Prices Must Be Changed." ENERGIYA, 1987, No. 6.

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**Publication of Statistics Discussed**  
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[Article by O.O. Zamkov, Candidate of Economic Sciences at Moscow State University: "From Whom and Why Are Statistics Being Concealed?"]

[Text] Several years ago, the director of an economics institute of the USSR Academy of Sciences responded to criticism of the weak work performed by a subunit by stating that it is impossible to produce a cow's daily milk yield from a goat's ration. By ration he had in mind information. We have somehow become accustomed to a scarcity of digital information in the open press, but should scientific institutes be required to exist on a hunger ration?

As is known, only statistical data which has already been published can be cited in the open press. For the very first time, such data is being published by USSR Goskomstat [State Committee on Statistics] in reports and statistical reference books. Very few individuals are able to brighten up their articles and speeches with new and interesting figures and then only on an infrequent basis. Since the beginning of the 1960's, there has been a constant decrease in the number and volumes of open statistical handbooks. These handbooks have disappeared or they have been stamped with the words "for official use," "USSR Industry," "USSR Agriculture," "Population of the USSR" and others. True, in 1989 USSR Goskomstat intends to commence publishing specialized handbooks once again—seemingly the problem had to do with a shortage of paper and publishing capabilities.

What can a scientist-economist do when working with the existing statistical reference books? The impression is created that they are specially arranged such that their use precludes the possibility of computing a new indicator, while utilizing economic-mathematical and statistical methods and models, or of evaluating the interrelationships between various values and processes. This process is "served" by the selection of published data, with the key indicators often missing, by units of measurement (different prices for mutually related indicators, absolute values are replaced by rates of growth) and by incomplete temporary files. One indicator is cited in the actual effective prices and another—in comparable prices (the specific prices are not always indicated). As a result, it is impossible to compare these values.

Let us assume that you need to evaluate the interrelationship between expenditures and results in the national economy or in individual branches of the "USSR National Economy." This is not easy to do. A year-book does not reflect the number of those employed in material production. And if you ponder how it can be evaluated based upon the available absolute and relative values, the result more than likely will not coincide with the true figure. There are no figures on those employed in individual branches of industry. In the statistical handbook for CEMA member states, this data is cited for all states with the exception of the USSR. There are no absolute volumes for the fixed and working productive capital in industry; there are only rates for their growth (although it would seem to be better to provide the volumes—they can easily be used for computing the rates). Thus, we do not have a complete picture of the expenditures of the more important resources in material production. Therefore, they cannot be used in a comparison against the result of material production, for example, national income or the net output of a branch.

Could it be that statistical handbooks bearing the stamp "for official use" are generally available to scientific workers and provide exhaustive, accurate and interrelated files of data which reflect the actual situation in the economy and in society? On one occasion, I was required to compare the dynamics of capital investments and the introduction of fixed capital into operations in branches of industry and also to evaluate the average periods for the immobilization of resources in capital construction. The year-book "USSR National Economy" did not provide me with all of the data needed: information was available on capital investments, but nothing was said in connection with the introduction of capital in the branches of industry. True, in the jubilee handbook, which was published in 1987, information of both types was provided, but not by branches of industry but rather by inter-branch complexes. But how could this data be compared in terms of time, if information was lacking on these complexes for the preceding years? The volumes of unfinished construction were furnished but in other prices. I had to turn to the handbook bearing the stamp "for official use." Here the sought after "secret" data was found. Once again, a "but"—the handbook is issued once every 4-5 years and the statistics in it—for the last 1-2 years. Thus, there were no files of data here. The only advantage furnished by the "half-closed" handbook compared to the open one—the possibility of shedding tears over the inconceivably long construction periods for specific enterprises. It was then necessary to turn to Goskomstat. The organizations willingly provided me with the needed data in writing. True, the paperwork consumed approximately one month. In addition, the publication of the results of the computations in the open press will not be an easy matter. Use will have to be made of "neutral" relative indicators and the "difficult" figures will have to be translated into words. The problem of problems in the publication of economic indicators is the inter-branch balance. The level and status of the economic science are directly associated with

whether or not inter-branch balances are being published and whether or not they are being used in research work. Work with inter-branch balances signifies a basically new level in economic studies, wherein from an illustration using individual figures for conclusions obtained on a speculative basis we convert over to an all-round study of the interrelationships in the national economy. Indeed, this balance consists of inter-branch flows of products; the structure of use of the final product for reimbursement, accumulation, personal and public consumption and other needs; the cost structure for each type of output; an evaluation of the direct, complete and indirect expenditures of material and labor resources and fixed capital. At the present time, neither national economic planning nor mathematical simulation of national economic processes are inconceivable in the absence of inter-branch balances. Based upon a balance, it is possible to evaluate various economic indexes and indicators, compare true growth in the production of means of production and consumer goods and study the interrelationship of production, consumption and distribution.

Balance studies took root in the USSR in the early 1920's, with a great contribution being made to these studies by the American Nobel prize laureate of Russian origin Vasilii Leontyev. It can be stated that our economic science did not exist during the 1930's and 1950's. For decades, fragmentary and arbitrarily selected figures cultivated a "commentary" trend in economic science. The carrying out of obsolete dogmas and current instructions obtained from on high represented the only task and a field for the application of this trend. Unfortunately, many of our economists were engaged (yes and they continue to be engaged) not in research work, but rather in reshuffling published data so as to have it conform to conclusions reached earlier.

Thereafter, we entered a period devoted to the revival and development of a trend associated with the extensive use of mathematical methods and computer equipment, one which would be unthinkable in the absence of serious statistical support. It was by no means an accident that the publication of national economic statistical materials was resumed at this time, with the handbook "USSR National Economy" being published in 1956. This handbook was expanded in later years and, as well, other reference books appeared. An accounting inter-branch balance for 1959 in a volume which, although not complete, was adequate for scientific computations. And these computations were carried out (S.S. Shatalin, A.G. Granberg, E.F. Baranov, E.B. Yershov, F.N. Klotsvog, V.V. Kossov, M.P. Eydelman and others). In 1968, nine researchers were awarded the State Prize for work in the field of inter-branch balance. Subsequently, two more inter-branch balances were published—for 1966 and 1972. And although the published portions of these balances resemble a chair without legs (there were inter-branch flows of products, but there were no figures for the gross production of branches or for distribution of

the final product) and yet it was possible somehow to work with them by evaluating the missing data.

Subsequent (after 1972) accounting inter-branch balances were not readily available even for scientific workers. Theoretical inter-branch works were for a certain period of time included in the data of Hungarian, French, American and other balances, but subsequently they too disappeared. The training of students suffered as a result: they could be shown a balance only for 1972 (yes and then only in an abbreviated form). This was a matter of profound antiquity for them, whereas they are interested more in today's events.

Why are the inter-branch balances concealed? Could it be that our adversaries are able to use them for calculating the amount of defense products we are producing? Yes, a balance is capable of furnishing this type of assistance. But under present conditions, quantitative production indicators are as a rule not viewed as secrets. In 1959, there was no tracking of satellites and data on armament negotiations were not reported and the balance was published! Another possible reason—an inter-branch balance, similar to a history of disease, can be viewed as difficulties, negative trends and bottlenecks in the economy. At the present time, we are openly discussing such trends—why conceal these figures? When published data is complete and consistent, it is easier to uncover incorrect or false figures (for example, after comparing raw cotton production over the course of a number of years, with the quality of the cotton fiber and cotton fabrics being taken into account, one could note the shortcomings with the untrained eye).

With the aid of inter-branch economic-mathematical models, it is possible to evaluate the prospects for development and to outline methods for eliminating bottlenecks. In the absence of figures, the models are dead. Is this not one of the reasons why the economic-mathematical trend of the early 1960's did not produce the promises expected of it, why its level was lowered and why it still does not have a worthy replacement after 50-60 years?

Just as in the past, Goskomstat is ignoring data which describes these negative phenomena: the statistical handbooks contain information on the number of doctors and almost nothing on the number of patients; there are figures on the number of places available in children's pre-school institutions and yet nothing on the number of individuals needing them; information is available on how many hectares of forest have been protected against fires and nothing on the amount of land that has been burned; we have information on the destruction caused by harmful discharges and yet nothing on environmental contamination; nor is data available on the number of crimes and prisoners, on inflation, abortions, suicides or single mothers. Judging by the fragmentary data which appears from time to time on the pages of newspapers and magazines (furnished by departments and not by Goskomstat), the indicators for

crime, the disease rate and drug addiction for the most part showed no improvement during the 1970's and 1980's.

The table on the disease rate for some diseases arouses bewilderment. According to this table, only childhood diseases remain in our country and these have been reduced to a minimum by prophylactic vaccinations. A statistical handbook provides information on cancer illnesses (they are associated with social factors to only a minor degree and thus information on them can be published). But where is the data on infectious diseases (at one time, such data was published on hepatitis, but it is no longer being published)? Indeed, it is now recognized that the intolerably high children's mortality rate in the Central Asian republics is caused mainly by infectious (especially gastro-intestinal) diseases. And what is our status with regard to tuberculosis, mental illnesses and venereal diseases? Could it be that they have been destroyed owing to the absence of a social basis for them? Only the number of hospital beds being used for these illnesses allows one to venture a guess as to their rather extensive spread.

The indicators for age, professional and social structure of the population, mortality rate by ages and the reasons for migration, if published, are extremely fragmentary and preclude the possibility of composing an overall picture of the status of affairs or, even more important, carrying out studies. For example, data on the mortality rate by ages and reasons in United Nations publications is furnished in the form of tables, the lines of which indicate the reasons (various illnesses, accidents, homicides, suicides and so forth), the columns—the ages and the intersecting points—the number of those who died. Such a table is small in size and yet it furnishes a tremendous amount of information for a demographer, economist or sociologist. In reference books provided by United Nations organizations, such tables are furnished for the GDR, Hungary, Poland, Czechoslovakia and Bulgaria but not for the USSR and particularly not for any of our republics or regions. Such tables allow one to detect negative phenomena and processes, the existence of which is being recognized at the present time. Information is needed on the scales and trends. If a negative trend is subsiding, positive changes can be expected in society. An ignorance of figures tends to instill in people a firm conviction that the work is deteriorating.

Tables on the distribution of workers according to wage amounts and on the population according to per capita income could be of assistance in acquiring a better understanding of the status and methods for improving society. But where are these tables? The averaging of the wages paid to a director and an auxiliary worker or that paid to a professor and a laboratory worker is similar to computing the average temperature for a hospital. With regard to population distribution according to income, usually one figure is cited: the percentage of the population which has a per capita income in excess of 100 rubles. But how many have incomes in excess of 200 and



less than 30 rubles? And what does this mean for the people? And what is the differentiation of income by regions? Just as in the past, this data is not to be found in the "USSR National Economy."

Of those indicators of a social nature, the greatest amount of detail is being provided in the publication of data on the production, sale and consumption of alcohol. Since 1985, in the "USSR National Economy" and in current summaries of Goskomstat, reports have been issued on the production of alcoholic beverages by types in a natural expression on the per capita consumption of pure alcohol and international comparisons have been furnished. In the structure of retail commodity turnover alone, strong beverages have been disguised in a column entitled "Other Food Goods," despite the fact that a campaign was underway calling for such items not to be termed as food. A reduction by almost twofold in the production and consumption of alcoholic beverages in 1985-1986 led to an increase in the average duration of life, growth in the birth rate, a reduction in the mortality rate among able-bodied ages and to a decline in crimes, injuries and in highway-transport accidents. But the figures for 1987 were not as favorable: compared to 1986, the production of vodka and liqueur-vodka products declined by 16 percent, while the average duration of life and other demographic indicators remained at the same level. An increase in the sale of sugar by 7 percent compared to the figure for 1986, which exceeded the rational requirements, cleared up the situation: a growth in self-brewing operations completely compensated for a reduction in the production and sale of alcohol. Other factors for improving "social health" have still not been properly implemented.

Subsequent reference books by Goskomstat should acquaint us with a group of social indicators not for one year, but rather for a considerable period in the past. Only on the basis of a complete analysis of such information will it be possible to make a judgement concerning the harm caused by drunkenness and alcoholism and the influence of environmental contamination and many other things upon the quality of life. This analysis will make it possible to uncover factors which will ensure stable progress in the social sphere through its priority development.

Much has been accomplished in the USSR directed towards smoothing out the levels of economic development for all republics and regions and for improving the status of backward areas. But by no means is everything proceeding well in this sphere. For a long period of time, the statistical organs only published favorable indicators here—according to which there were no sharp differences among the republics and regions and thus the overall picture was good. For example, the overall indicator for mortality rate is dependent to a substantial degree upon the population's age structure (which, it bears mentioning, is "concealed"). Its formation is characterized by a lower "quality" of life, with a lag in public health services often being compensated by a larger

proportion of the population consisting of younger people. This indicator is published constantly from a regional standpoint. And yet the indicators for average life span and child mortality rate, "cleansed" of this influence, were published for the very first time for the union republics only in 1987. Here the difference is considerable and is not declining: for example, in 1970 19.4 out of every 1,000 children born in Lithuania died before the age of 1 year, in 1986—11.6. In Turkmenia, the figures were 46.1 and 58.2 respectively. For comparison, in Japan this indicator in 1987 was 5.2, in the GDR—9.2 (1986), in Cuba—13.6 and in the USSR on the whole—approximately 25. It bears mentioning that our country is the only one in the world where this indicator is at the present time worse than it was in the early 1970's.

Average per capita income for the republics is not being published. In the "USSR National Income," only rates of growth are cited for national income produced, volume of industrial output and other summary indicators. Since the rates of growth are often higher in those areas where the base level is lower, the irregular nature of this level for the union republics and economic regions is not apparent. Nor do the reference books contain data on the use of national income from a territorial standpoint. A comparison of the national income produced and used would reveal the subsidy obtained by a particular region. For example, Central Asia and Kazakhstan have received and are receiving such assistance. However, ignorance of the specific figures and facts has served to instill in a portion of the population in these republics an erroneous conviction concerning the reverse movement of national income. Ignorance of the facts has become one of the causes of the well known international friction and excesses that have developed in recent years.

Certainly, when computing inter-regional balances in national income, a large role is played by the system of prices employed. If the price for cotton is low, then more is imported into Uzbekistan; if it is high—then more is exported from there. At the same time, when shedding light upon an important political question, too much importance is attached to the price factor and, unfortunately, our prices are not always objective. But indeed it is possible to carry out computations using different prices—in effective wholesale, in accounting and in world market prices (with the quality of the product being taken into account). This applies not only to inter-regional balances in national income but also to many other indicators.

A very serious and difficult question—the publication of expenditures for defense. It is understood that the 17-19 billion rubles shown in the state budget represents only a small portion of these expenditures. Indeed, it is impossible to maintain foreign parity with another powerful state while spending ten times less for defense. Many countries publish data on their military expenditures

and also estimates of Soviet expenditures (it bears mentioning that our authorities neither confirm nor reject these estimates).

Could it be that such publications undermine our defensive capability? Why is it that other countries do not view this matter in the same light? Or could it be that we choose not to alarm our people? But at the present time we are striving to ensure that our people are competent and informed to the maximum possible degree, that they possess a thorough understanding of the present socio-economic situation and that they can see the prospects for forward progress. It is impossible to evaluate the true potential of the economy and society in the absence of knowledge as to the burden imposed by defense expenditures and which portion (the best portion!) of the resources should be employed in this sphere. If you drop out at the start of a race while a dumb-bell is lashed to your leg, then in all probability the weight of the dumb-bell is of no consequence.

At the present time, the recommendation has been made to have Goskomstat convert over to cost accounting. This will obviously raise its responsibility and interest in supplying citizens and organizations with information, despite the fact that cost accounting of itself will not solve the problems concerned with the openness and availability of data. Among the forms for cost accounting work by Goskomstat, we would like to see the publication of detailed specialized handbooks for scientific studies (obviously, at a considerable price and disseminated on the basis of subscriptions). Such a handbook could provide a research worker with a mass of data and thus he would have to turn to Goskomstat only for more detailed information or information of a particular nature. It would also be useful to have a catalog of the data available, with some indication as to how the information is broken down in terms of structure and time and also the conditions under which it was obtained. The development of computer technology for the processing and storage of information will inevitably affect the dissemination of such information; cost accounting is also capable of furnishing fine assistance in this regard.

A monopoly on statistical socio-economic information continues to add to the importance of that official who controls it. It is vitally needed by a bureaucrat, for it strengthens his position and creates the appearance of irreplaceability, competence and selectivity. And a bureaucrat will fight to the end for this monopoly. Unfortunately, Goskomstat is still for the most part on his side.

I foresee the reply: the needed figures are obtained by those "who need them." Yes, it is the one who is tasked with the work that receives the information rather than the one who is capable of carrying it out. However, an interesting conclusion, a generalization or a discovery as a rule are realized not on the basis of an assignment. Moreover, scientific study in the area of economics is by

no means always carried out in keeping with the program "idea - model - figure - result. Quite often an idea arises from acquaintance with a figure. In such instances, a researcher does not know accurately exactly which figure is expected of him as he spends time and effort on scientific research work. Hence, a broad range of figures must be sufficiently readily accessible. And again—science dies in the absence of broad open discussions which assume the availability of open figures.

For society, importance is being attached at the present time to the further development of glasnost and to reinforcing the results already achieved. Reinforcement—this consists primarily of establishing the legislative right of citizens to obtain complete and objective factual and statistical information. Included herein is a range of socio-economic indicators and "indicators" of social well-being considered to be mandatory for publication. It is unfortunate that the question concerning such a discussion has yet to be raised. The disappearance from publication of an indicator, the publication of which is mandatory by law, does not go unnoticed by the people. And the degree of completeness and truthfulness of a description of specific events and the expression of various opinions can gradually be reduced to zero, while glasnost at the same time disappears in the sand and remains a transient memory. Statistical indicators reflect the general status of affairs and not individual, typical or atypical events. Thus the glasnost of publications is not less but if you please even more important than the glasnost of expressed opinions descriptions of events.

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### **Uzbek Economists Question Early Industrialization, Collectivization**

*18200109 Tashkent PRAVDA VOSTOKA in Russian  
26 Nov 88 p 3*

[Interview with F.K. Kayumov, director of the Central Asian Branch of the All-Union Scientific Research Institute for Price Formation, doctor of Economic Sciences, and V.K. Zhivayev, Chief scientific associate of the Institute of Economics of the Academy of Science for the Republic, candidate in Economic Sciences, by R. Mukhametzyanov and S. Fioletov, PRAVDA VOSTOKA correspondents: "A Measure of Freedom and a Measure of Necessity"; first two paragraphs are PRAVDA VOSTOKA introduction]

[Text] Having scholars discuss an article on current affairs, you will agree, is not a frequent happening. Feedback is more customary, when the current affairs commentator uses the results of scientific research, "affixing" them to phenomena of social life.

In our case, however, it is in our opinion necessary to have a variant with the reverse procedure. The article by Vladimir Vasilyev, "Dialogue with a Mirror," published in *EKONOMIKA I ZHIZN*, No 8, raises the most complex questions of our society's development at the end of the 1920's and in the 1930's, and comes to many debatable conclusions. Taking part in the discussion were: F.K. Kayumov, director of the Central Asian Branch of the All-Union Scientific Research Institute for Price Formation, doctor of Economic Sciences; V.K. Zhivayev, leading scientific associate of the Institute of Economics of the Academy of Sciences of the Republic, candidate in Economic Sciences; R. Mukhmetzyanov and S. Fioletov, *PRAVDA VOSTOKA* correspondents. (The notes of the discussion are given in abbreviated form).

[F. Kayumov] The main idea of this sharp and unusually formed article comes down to the following conclusion: "Socialism has lost in the economic competition with capitalism because it could not put into practice the main advantage of the socialist method of economic activity—general national ownership of the means of production and the principle of free labor ensuing from it, i.e., labor free from coercion, labor based on the deep, direct and clear interest of each worker in the results of that work." The statement is "on a large scale," and I, as an economist, have a right to expect its interpretation, argumentation and substantiation. It is impossible to evaluate any economic or social phenomenon out of context of the historical conditions, against the background of which and from which it flowed. There have already been 71 years of the Soviet regime. How many of them have gone into overcoming ruin. Then, war again and rehabilitation of the national economy. Again, time lost. Not a single state has had such unfavorable conditions for development.

Next the participants in the discussion noted that capitalism made itself felt in the 14th century, appeared in the 15th century and that its true history dates from the 16th century. Our country, however, entered into a revolution, and had only three regions which with some stretching could have been called capitalist—the North, the Center and the South. The author himself brings into the article the numerous social-economic structures existing in Russia.

After all, however, we did not inherit the technical standard that was at that time already high in the west, the institutions of bourgeois democracy and finally, a high level of education.

Indeed, we could not utilize all the advantages of socialism, stressed the scholars, but how could this be done under the conditions at that time? Even today we are not using them completely, and we lag behind the West in many indicators. To be realistic, we have not yet fully caught up to the most highly developed countries. Moreover, our own serious errors and miscalculations have

been imposed on this process. They must be spoken of openly and honestly. They must, however, be evaluated only on the basis of historical realities. Otherwise we will not avoid new mistakes.

[Correspondent] History always deals not only with the past but also with the "pre-past." Therefore, unquestionably, in examining our path to the Temple (the author of the commentary has taken his terminology, not from the remarkable film, "Penitence," but rather from the famous article by I. Klyamkin, to which he quite often turns), we should not forget about the measure of freedom and the measure of need for those or other deeds, actions and directions. In this context, for example, the policy of "War Communism" was necessary and justified. NEP proved just as necessary. Neither scientists nor publicists, including Vladimir Vasilyev, argue with this today. After all, in practice, everything was much more complex. Russia's agriculture was mainly small-commodity, with 25 million peasant homesteads.

[F. Kayumov] Which, in the words of V.I. Lenin, gave birth to mass-scale capitalism by the hour and by the minute.

[Corr.] True, and the transition to NEP, as V.I. Lenin said in his article "On Cooperation," "...We conceded to the peasantry, as to the merchants, the principle of private trade." What is this—a departure from socialism, from everything the revolution stood for? What a shock this turn-around aroused among many party members, who had only recently protected it from the bourgeoisie with weapons. For the most part, all the geniality of Lenin's plan was not understood, even by those in his closest circle. We have in mind particularly I.V. Stalin, by virtue of many of his personal features, in addition to all the other methods drawing toward "War Communism." Just as the country began to experience serious difficulties, remember the grain procurers crisis of 1927-1928, extreme measures were again put into action. The break with NEP had already begun. With all this, however, to consider collectivization not as a socialist act, as does Vasilyev, as the establishment of exploitation of one part of the population by the other, is fundamentally incorrect.

[F. Kayumov] I fully agree with you. We know what exploitation is. Is this the way the workers appropriated the fruits of the peasants labor? No, they often lived under worse conditions. Did this process take place because of the bureaucracy, secure at command heights (as Vasilyev writes)? This too is wrong. The rationing system extended to all. It is obvious that it is not fair to speak of exploitation in this context in the strictly economic sense.

I should now like to dwell on the author's thesis of nonsocialist collectivization.



Immediately after the revolution, nationalized industry became socialist, while agriculture continued to be based on small-scale commodity production. To develop an economic system on these two principles was a utopia. V.I. Lenin well understood this, and gave convincing proof in his work "On Cooperation," that, under conditions of the state authority finding itself in the hands of the workers, the growth of cooperation was identical with the growth of socialism. Parallel with this, the question of industrialization was placed on the agenda. After all, it was the only basis, in addition to all the rest, that made possible technical reconstruction of agriculture and a rise in the general standards of the rural area, which was the true cultural revolution. All these steps were historically necessary. By the end of the 1920's—beginning of the 1930's, the objective course of social-economic development placed these questions on the agenda. Farming on small plots of land, using primitive implements, condemned the peasants to heavy manual labor, providing them a bare support for their existence, endless reproduction of all the backward conditions of work and everyday life.

The low level of agricultural production began seriously to hold back the country's general economic development, the beginning of industrialization and finally, the development of socialism as a whole.

[V. Zhivayev] Incidentally, about industrialization. No one disputes the need for it. One must not forget, however, that it was possible only at a certain level of accumulation. It was impossible to obtain it, at that time, in any way but by appropriating the means of agriculture. No funds could be given to small-scale commodity production. This was understood and acknowledged by the representatives of all trends of social-economic thought of that time, including such major scholars as A.V. Chayanov, whose centenary we recently marked, and by N.D. Kondratiev. They also acknowledged the need to mobilize the resources created in agriculture for the needs of industry.

As the result of reviewing these questions, and of analyzing them, the "round table" participants were of the unanimous opinion that the question of collectivization as a continuation of V.I. Lenin's cooperative plan at the end of the 1920's, had become increasingly urgent and historically necessary. Coming to the foreground, however, right at this point, was the measure of freedom in choosing the forms and methods to carry it out, which are essentially today the subject of most serious discussions. That is, not collectivization itself as an act, the need for which V. Vasilyev places in doubt, but precisely the forms and methods and the nature of its implementation. Let us turn to V.I. Lenin. The basic idea of his works related to problems of agricultural development lay in the following: leading the peasantry to socialism through its interest, its material interest, and through strengthening its union with the working class, with the latter being the leaders. Interest, however, can be aroused only when the peasant sees and feels the results of his work directly, and can use these

results for his own well-being. This also made cooperation possible. It developed in the most varied forms in the 1920's—agricultural, consumer, business, industry.... This in itself created the prerequisites for developing cooperative forms of farming. This rapidly developing sector of the economy was fully capable of giving the necessary resources to solve the problem of industrialization. This was naturally possible on the basis of collectivization, if it was not carried out according to Stalin's methods, but on a voluntary basis, on democratization of management and cost accounting principles. Industrialization required large funds. They could be obtained only from the rural area. The end did not justify the means, however. The very posing of the question in this key is anti-humane. Therefore, there can be no justification for the sacrifices inflicted to please "all-round collectivization." We must not forget something else. The rural area was essentially lifeless. Because of this we could not at that time completely solve either the problems of industrialization or of developing agriculture. The chief mistake made in the course of Stalin's collectivization, which we are still paying for even today, specifically, the food shortage—was alienating the farmer from the land, from the results of his labor. Now we are correcting it—through contracting, leasing and cooperatives, returning the land to the owner. But how much time we have wasted!

After all, though, at that time these were the most sensible variants. The plan of Bukharin, Rykov and Tomsk. Finally, the initial design for the five-year plan of development of the national economy. It, incidentally, was approved by the 16th Party Conference and adopted by the 15th Soviet Congress in May 1929.

Vasilyev's conclusion that socialism, as a political, economic and social structure, lost to capitalism is fundamentally incorrect. Moreover, the restructuring in progress in the country today precisely demonstrates the possibilities of socialism and its colossal potential charge. Collectivization did not have any essentially anti-socialist content. The methods of carrying it out, however, were unquestionably a gross violation, a distortion of Lenin's ideas. In this case the historical need was in no way coordinated or balanced with the measure of freedom in choosing the variants of the path. V. Vasilyev would have come to this conclusion if he had been guided by a strictly scientific approach when examining the paths of development of our society as the aggregate of cause-and-effect interrelations and historical originality, against the background of which socialism was built in our country. The author, and this can be seen with attentive reading, does not have complete enough knowledge of the historical material, the facts, and the economic computations, and thus the sometimes hurried, and in themselves incorrect conclusions and substitution of emotions for a reasoned analysis. There are, though, many correct evaluations.

[Corr.] I should like to touch on one more aspect, undeservedly exaggerated by V. Vasilyev. It is of tremendous significance in understanding the processes that took place in society. Russia was not simply a country

that was huge in territory, it united the most varied regions with their own specific, unique historical path of development, national traditions and, finally, with a varied level of economic and social development. Therefore, it is very important today to investigate not only the way in which collectivization proceeded in the country's central regions, but also the way in which these processes took place in Central Asia, in our republic. It would appear that there are still quite a few "blank spots" here.

[V. Zhivayev] Unquestionably. I should like to say something, however. It would be incorrect to think that in the republic, specifically, there has been no study of these questions. I can cite just a few works by economic scholars that are closest to me. These studies are by Dzhamalov and Aminov, corresponding members of the UzSSR Academy of Sciences, Lapkin, the present vice-president of the Academy, and Favaris Kadyrovich, who is present here. A great deal, of course, still needs study and analysis. In examining the processes taking place here, one must take four fundamental factors as a basis. The first—is the low level of economic development, as compared with other regions. The second—is the irrigated farming. The problems of land and water have become acute. The third—is the predominance of the feudal-bay [rich landowner in Central Asia] relations. The fourth—the remnants of the colonial system.

Therefore, it is natural that the process of restructuring economic interrelations in the agrarian sector began first of all with the land-water reform, which was carried out right up to 1929. Very serious problems awaited the Soviet Regime on this path, however. The land was formally transferred to the peasants [dekhkanin], but it was simply impossible to eliminate the feudal-bay relations immediately, and the land, as before, actually remained held by the bay.

At the initial stage the agrarian reform here applied only to tsarist lands with industrial significance. Colonial relations were destroyed. At the next stage, the reform again touched only the Russian landowners.

[Corr.] Which, along with everything else, continued to "work" to eliminate the remnants of colonialism.

[F. Kayumov] Completely correct. The political aspects were taken into consideration above all. In addition, there was a clear understanding that, by virtue of historical development, the dekhkans were psychologically not ready to take over immediately the land that from time immemorial had belonged to the bay, and had been "given to them by Allah." This also accounts for the fact that the reform was not completely carried out even up to 1929.

Let us recall the situation that had taken place after the land in Khorezma was nationalized. The dekhkans paid income tax to the state and, by tradition, also brought money to the bay.

Even at the beginning of the 1930's, there were instances when the dekhkan-communists refused to take nationalized land.

[V. Zhivayev] Nor can one forget the class struggle which took place here—over the basmachestvo [anti-Soviet movement in Central Asia].

[Corr.] In a word, the nature of the social relations and the unique historical development of the region contributed to the development of collective forms of farming and to unification of the dekhkan farms.

[V. Zhivayev] Finally, in this region, more than anywhere else, the need for industrialization grew urgent, and on its base—the technical revolution in the agrarian sector.

[Corr.] But the forms and methods of collectivization here did not differ from those in Russia. To sum up our conversation, probably, it must be said that today's discussion, the impetus for which was the article by V. Vasilyev, "Dialogue with a Mirror," will be continued. We should know our history, its bright and tragic sides, in order to go farther. On the one hand, however, history should not be the "material" on which to build certain schemes and concepts claiming to originality, to the detriment of objective reality. This path inevitably leads to a blind alley, from which there is no road to the Temple. It should in no way be built anew. It was formed by preceding generations. We must clear away the obstructions, straighten it, pave it and surround it—each one of us.

## INVESTMENT, PRICES, BUDGET, FINANCE

### Finance Minister Outlines 1989 Budget, Addresses Deficit, Other Concerns

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[Article by B. I. Gostev, USSR minister of finance: "The 1989 USSR State Budget and the Tasks of Executing It"]

[Text] The year 1988—the third year of the 12th Five-Year Plan—has ended. A major event in the life of the party and the nation was the 19th All-Union Party Conference. It broadly discussed and made fundamental decisions concerning the deepening of perestroika, the reform of the political system, and the further democratization of society.

In conformity with the goals of the 27th CPSU Congress, new management methods are being introduced, and a greater and greater turning of the economy toward

satisfying the vital needs of Soviet citizens is under way. In 1988 the national income increased by 4.6 percent, as compared with 2.3 percent in 1987; and the population's real income increased by 3.5 percent. Positive shifts were achieved in increasing the effectiveness of social production and in developing many branches and regions.

Under present-day conditions the role of finance has been growing considerably. The problem of financial improvement and the reinforcement of monetary circulation is becoming one of the central tasks of the fundamental economic reform. Under its effect, many labor collectives, individual branches, and ispolkoms [executive committees] of soviets of people's deputies have achieved rather good results in improving the economic indicators and increasing profitability. There has been a noticeable increase in the growth rates for profit—the chief source of monetary accumulations. In the current five-year plan, profit increased by an average of 8 percent per year. In 1988 profit increased by 10 percent, with more than half being received by means of a reduction of production costs. An important conclusion consists in the fact that we have seen the beginning of the process of reinforcing the finances in the basic link of social production—enterprises, construction sites, kolkhozes [collective farms], and sovkhozes [state farms]

In 1988 the plan for payments from profit, for turnover tax, and other income was overfulfilled. However, it did not prove to be possible to achieve everything that had been planned. For example, it had been planned, during the course of executing the budget, to mobilize approximately 25 billion rubles by increasing the effectiveness of management, but the amount obtained was only approximately 10 billion rubles. According to a preliminary estimate, the state budget was fulfilled by 96.3 percent for income.

Another influence on the execution of the budget was exerted by expenditure-oriented approaches. The budget expenses continued to grow more rapidly and in 1988 exceeded the planned expenses by 2.5 percent. In the course of executing the budget, there arose the need to allocate an additional 12 billion rubles to complete the settlements in capital construction, approximately 5 billion rubles to agriculture (for differentiated increases to purchase prices and for compensating expenditures linked with involving workers from enterprises in bringing in the harvest). In order to balance the budget last year it was necessary to borrow funds from USSR State Bank.

The 11th Session of USSR Supreme Soviet, 11th Convocation, approved the 1989 USSR State Budget—it became a Law of the USSR. The budget meets the requirements of the fundamentally new financial policy and the intensification of the social directedness in the economy, guarantees the concentration of resources in carrying out progressive structural shifts, and creates the conditions for having all the links in social production change over to complete cost accountability. In the

budget there is a consistent carrying out of the line aimed at improving the financial and credit system, the improvement of the financial situation, and the reinforcement of monetary circulation.

The budget reflects, first of all, the qualitative shifts in economic relations that were brought to life by the democratization of administration and the completion of the changeover of the enterprises to complete cost accountability and self-financing. The principle of self-earning of monetary means is being consistently implemented, and this will make it possible to reinforce the enterprises' and branches' own financial base.

Provision has been made to concentrate financial resources in the accelerated resolution of the vitally important problems of the national welfare. The factors that must become the material base for this strategic trend are the progressive changes in the structure of social production and the outstripping development of the entire sphere that is linked with the needs and wants of Soviet citizens. In this area considerable additional funds are being invested, in excess of the five-year plan. The priorities are given to public health and education, to housing construction, the production of consumer goods, and services.

Budgetary financing concentrates in the decisive areas of scientific-technical progress, which have been called upon to activate the long-term factors of economic growth and active resource-saving.

The line being carried out is aimed at increasing the economic self-interestedness and responsibility of the republics and the soviets of people's deputies for the self-financing of production and social development on their territory.

It is necessary to emphasize that the complicated financial status of the national economy and the results of the execution of the 1988 budget left their imprint on the formation of the State Budget for 1989. At the session of the Supreme Soviet it was noted that, for a period of many years, the state's expenses had outstripped the income. The disbalance became sharply aggravated at the end of the 11th Five-Year Plan as a result of the slowing down of the economic development rates. Branch finance and the state budget proved to be in a difficult position; credit was distorted; and monetary circulation was complicated. The increase in the public's income exceeded the opportunities to satisfy the public's demand, and that led to the economically unjustified emission of money and to inflationary processes.

In addition to problems of the past, problems that had newly arisen had an effect on the financial position.

The budget failed to receive, starting in the beginning of the 12th Five-Year Plan, considerable amounts of income as a result of the sharp drop in petroleum prices on the world market, and the more rapid reduction, in

accordance with decrees issued by local agencies, of the volumes of production and sale of alcoholic beverages without the corresponding compensation for the falling income. Simultaneously, decisions were made concerning the additional allocation of financial resources to develop public health and education, to speed up housing construction, and to eliminate the consequences of the accident at Chernobyl. The formation of the budget was also influenced by the growth rates for national income, which have been developing somewhat below the assignments of the five-year plans, as a result of which fewer monetary accumulations will be received than had been planned.

The 1989 budget was approved for income in the total amount of 459.8 billion rubles, with an increase of 3.6 percent as compared with 1988; and for expenses in the total amount of 494.8 billion rubles, or an increase of 11.5 percent. As a result the shortage of financial resources—the budget deficit—has been determined at 35 billion rubles, or 7.1 percent of the volume of the budget.

The budget deficit is not a problem that arose today, but, rather, the consequence of the material and financial disproportions in the economy, the large scope of subsidies, and tremendous losses—everything that was influenced by the extensive methods of management, by the dependent mentality, and by the passive financial policy.

As of today, a very important task lies in improving the country's finances is the overcoming of the lack of balance in the budget, and in reinforcing the entire economy. The center of gravity in resolving this task is shifting to practical activity. It is necessary first of all to assure the fulfillment of the plans for the basic types of budgetary income: for payments from profit; for turnover tax; from foreign trade; and from taxes levied on the public.

When organizing the work of fulfilling the plans for payments from profit, which constitute 26.4 percent of the budgetary income, it is necessary to intensify the attention paid to having every enterprise fulfill the plans with regard to financial results and fulfill their pledges to the budget. There are tremendous opportunities here. They must definitely be used. Every fifth enterprise in industry and construction is still failing to fulfill the plan with regard to financial results. For example, during the first half of 1988, 12,000 enterprises failed to fulfill that plan by a total of 2.6 billion rubles. At such time, in the machine-building complex every fourth enterprise failed to guarantee that fulfillment; in USSR Mintyazhmash [Ministry of Heavy and Transport Machine Building], USSR Minselkhoz mash [Ministry of Tractor and Agricultural Machine Building], and USSR Minstankoprom [Ministry of the Machine Tool and Tool Building Industry], every third one; and USSR Minlegprom [Ministry of Light Industry], even sixth enterprise. In Tajik SSR

[Soviet Socialist Republic] 30 percent of the enterprises failed to fulfill those plans; and in Azerbaijan SSR and Kirghiz SSR, every fourth enterprise.

Prompt and complete payments into the budget are not being made. For example, during the first nine months of 1988, 23 ministries failed to deposit to the budget a total of 1.8 billion rubles of payment from profit, including seven ministries in the machine-building complex (excluding USSR Mintyazhmash), 584 million rubles; USSR Minlegprom, 736 million rubles; USSR Minchermet [Ministry of Ferrous Metals], 105 million rubles; USSR Mintsvetmet [Ministry of Nonferrous Metals], 80 million rubles; and USSR Minrybkhkh [Ministry of the Fish Industry], 82 million rubles.

The plan for payments from profit to the republic budget was unfulfilled for RSFSR [Russian Soviet Federated Socialist Republic] by 596 million rubles, and for Georgian SSR, by 9 million rubles.

It is necessary first of all to analyze in detail for every ministry and department, every enterprise and organization, the reasons why they failed to fulfill the plans dealing with the financial results and payments to the budget. It would be desirable, jointly with the workers from the ministries and departments, to drive out to the outlying areas in order to render practical assistance to the enterprises and organizations. At such time, special attention should be devoted to questions of eliminating unprofitable operations at the enterprises, associations, and organizations, reducing the unproductive expenses and losses, and putting the reserves of commodity-material assets into circulation.

At the same time it is necessary to check carefully the correctness of establishing the standard amounts of deductions from profit to be paid into the centralized funds and the reserves of superior organizations and the state budget, and to take all the proper steps to prevent instances in which the total amount of deductions paid into centralized funds and reserves exceed the total amount of payments into the budget for each payer.

For purposes of guaranteeing the fulfillment of the plan for turnover tax, it is necessary to increase the activity rate of the work with the ministries and departments, the ispolkoms of the soviets of people's deputies, and the planning, bank, and economic agencies in locating reserves for increasing the production of consumer goods and for assuring that each enterprise fulfills the assignments for production of those commodities, and to make the maximum use of all the opportunities for additional payments of the turnover tax to the budget. Such opportunities exist in every republic, oblast, city, and rayon, and it is necessary to activate them. But for the time being, no provision has been made for the efficient fulfillment of the plan for turnover tax. For example, despite the overall fulfillment of the plan for turnover tax during the first nine months of 1988 by the individual republics, the budget failed to receive, for individual



branches of industry, 115.3 million rubles. In Uzbek SSR the plan was not fulfilled for 5 branches by 5 million rubles; in Armenian SSR, 4 branches, 24 million rubles; and Ukrainian SSR and Estonian SSR, 3 branches each, respectively 52 million rubles and one million rubles. The plan was also not fulfilled by branches in Georgian, Lithuanian, Moldavian, and Kirghiz SSR and a number of other union republics. In Kazakh SSR the plan for turnover tax was not fulfilled by the financial agencies in 17 oblasts and the city of Alma-Ata for other payers by a total of 29.9 million rubles; and for the textile and local industry, by the financial agencies of four oblasts.

In 1989 it is necessary to devote special attention to fulfilling the 5 August 1988 decree of USSR Council of Ministers, entitled "Steps to Increase Production and Accelerate the Saturation of the Market With Consumer Goods."

At the same time the economic methods of increasing the production of output must also be activated more rapidly. In this regard the government has made the appropriate decisions. For example, for purposes of the most rapid buildup in the production of consumer goods, starting in 1989 as much as 30 percent of the turnover tax resulting from the increase in the production and sale of output can be used to give incentive payments to labor collectives for increasing the production of commodities in light industry, and also to create specialized capacities for producing nonfood commodities at unspecialized enterprises.

A major source of the budget is the income from foreign-economic activity. In the current year it is planned to receive from this source 60 billion rubles. In this connection it will be necessary to carry out a large amount of purposeful work to increase the volumes of foreign trade and to increase the effectiveness of the foreign-economic ties.

The restructuring of the system of administering foreign-economic ties must begin to yield results. At the present time most ministries and departments, all the union republics, and more than 100 associations, enterprises, and organizations have received the right to go out directly to the foreign market. They must work as rapidly as possible to change the structure of export, increase in it the share of the processing branches of industry, and on that basis increase the financial-currency effectiveness.

Unfortunately, practical life shows us that the enterprises in a number of ministries and departments have serious shortcomings in foreign-trade activity. For example, during the first nine months for the machine-building complex and USSR Minlegprom, the yearly assignment for export in exchange for freely convertible currency was fulfilled by only 43 percent. Moreover, for the machine-building complex, the payments in that currency have been substantially outstripping the fulfillment of the assignments for its receipts. USSR Minlesprom [Ministry of the Timber, Pulp and Paper, and

Wood Processing Industry] has not been fulfilling properly its export pledges for sale of lumber. USSR Minkhimprom [Ministry of the Chemical Industry], USSR Minneftekhimprom [Ministry of the Petroleum Refining and Petrochemical Industry], and USSR Minlegprom have not been guaranteeing the return of credit obtained at USSR Vneshekonombank [Foreign-Economic Bank].

In 1989 it will be necessary to guarantee the receipt of taxes and other funds from the public in the total amount of 39.4 billion rubles, or 8.6 percent of the volume of income. In the work of fulfilling the plan dealing with taxes from the public, it is necessary to intensify the monitoring of the accuracy of withholding of taxes from the wages of workers and employees and the promptness with which the enterprises and organizations transfer them to the budget. It must be stated outright that the enterprises and organizations are continuing to make a large amount of mistakes in this work, and this leads to numerous instances when the taxes are computed at overstated or understated amounts. For example, the financial agencies in Omsk Oblast established at 38 percent of the inspected enterprises and organizations instances of the overstated withholding of taxes with a total value of 30,200 rubles, and understated withholding with a total value of 101,800 rubles, as well as delays in the transferring of taxes to the budget with a total value of 3,725,000 rubles.

The workers in the financial agencies, and especially the tax inspectorates, in addition to carrying out monitoring functions, must pay more attention to carrying out preventive measures that are aimed at preventing errors—the providing of instruction to workers in bookkeeping services, and explanatory work among the payers.

For purposes of accelerating the resolution of the problem of providing the public with various kinds of commodities and services, the development of cooperatives and of individual labor activity is currently under way throughout the country. As of 1 October 1988 the number of operating cooperatives reached 48,000, and during the first nine months they sold output and rendered services with a total value of 2.6 billion rubles. The number of citizens engaged in individual labor activity has reached more than 600,000.

The financial agencies must take all steps to promote the development of cooperations and individual labor activity. The newly created tax inspectorates of the Baranovich City Financial Department and the city of Minsk have actively joined this work.

At the same time, the tax inspectorates of the Tsentralnyy and Frunzenskiy Rayon Financial Departments in the city of Dushanbe, and the Sovetskiy and Leninskiy Rayon Financial Departments in the city of Ashkhabad have not been fulfilling the work at the proper level; financial agencies in the city of Dushanbe have been taking a formal approach and computing the income tax

without any on-the-spot investigation, or, in the city of Ashkhabad, on the basis of documents in which the total income indicated is lower than that in the declarations.

When organizing the monitoring of the activity of the cooperatives and the citizens engaging in individual labor activity, and computing and collecting taxes on their income, it is necessary to observe strictly the principles stated in the USSR Laws governing the cooperative system and individual labor activity, and to prevent infringements upon those laws and to take broad steps to explain tax legislation. At the same time it is necessary to monitor strictly the completeness of the taxes that have been declared and the correctness with which the tax settlements have been prepared, and to guarantee the prompt receipt of payments into the budget.

In 1989 it will be necessary to provide for the most efficient and most economical use of budgetary appropriations. They are primarily concentrated on accelerating social development and the resolution of the food problem, the buildup of a modern industrial and scientific-technical potential, the restructuring of the economy, and other statewide needs. Approximately two-thirds of these expenses are directly linked with the resolution of the vitally important problems of the national welfare.

The expenses to carry out social and cultural measures have been defined in the total amount of 163.5 billion rubles and they will increase by 6.5 percent, with a growth rate for the national income of 3.8 percent. At such time the total amount of payments and benefits to the public from social consumption funds will exceed the assignments of the five-year plan by 10 billion rubles. All this is supposed to guarantee the increased participation of the human factor.

Primary importance is also attached to implementing the decisions of the February 1988 Plenum of the CPSU Central Committee that deal with the restructuring of public education and the reform of the general-educational and higher school system. The amount appropriated for popular education and culture is 47.5 billion rubles.

The amount appropriated for accelerating the development of public health is 24.8 billion rubles. Its financial base will grow by 15 percent. The amount appropriated for state social insurance and social security for workers is 73.9 billion rubles, or 4.8 percent more than in 1988.

In order to resolve the task of providing every Soviet family with a separate apartment or an individual home, approximately 36 billion rubles are being appropriated from all sources of financing; this amount is almost 5 billion rubles more than the assignments in the five-year plan. At such time, every third apartment is supposed to be built by using cost-accountable funds.

When making large expenditures for social needs, we can rightfully expect that they will be used with the maximum benefit. Inspections have shown that the allocated resources frequently are not used completely, or are used with relative ineffectiveness, and there have been instances of misappropriations and the squandering of material assets. For example, in 1987 the functioning of hospital beds decreased by 3 days, but in Armenian SSR by 14 days; Georgian SSR, 9; Latvian, 8; and Ukrainian SSR, 7 days. All this is equivalent to an annual non-use of 150 hospitals, each with 600-bed capacity. Inspections carried out by financial agencies at public-health institutions revealed in every other institution instances of the squandering of funds and the misappropriation of products and medicines. In this question it is necessary to introduce strict order, to activate to the fullest extent the economic and administrative methods of exerting an influence, and to intensify the monitoring of the expenditure of funds and the demands made upon the persons responsible for using them.

Centralized financing from the fund for the development of the branches of material production constitutes 172.7 billion rubles. These tremendous resources must be used to reinforce the progressive shifts in the economy and to accelerate scientific-technical progress and the intensification of production, which give the maximum benefit in increasing labor productivity, the saving of resources, and increasing the monetary accumulations. In addition, considerable amounts of the enterprises' and organizations' own financial resources are also being allocated for these purposes.

In the budget, primary importance is attached to the financial support of the resolution of the food problem. Appropriations in the amount of 87.9 billion rubles, or 22 percent of the total budgetary expenses, are planned for APK [agroindustrial complex]. Of that amount, 103 billion rubles [as in text] is allocated for subsidies for food products. It is important to manage those monetary means efficiently, so that they provide the maximum increase in agricultural output and an increase in effectiveness in the results of the activities of the kolkhozes and sovkhoses.

Financial resources are being channeled on a first-priority basis into supporting the outstripping growth of investments in the processing branches and the creation of production capacities at a qualitatively new technical level, which make it possible to reduce the losses of agricultural output. Capital investments in the food industry will grow by 46 percent, and in the meat and dairy industry, by 60 percent.

Major material and financial resources in the agroindustrial complex, as was noted at the July 1988 Plenum of the CPSU Central Committee, must yield a considerably greater return. This is the real path to improving the finances in the agroindustrial complex. However, in the branches of the complex, those processes are still being carried out slowly, and 6500 kolkhozes and sovkhoses

are operating at a loss. On many farms, people's sense of being dependents is strong—the payment of labor sometimes exceeds the gross income, and large debts have accumulated. For that reason 63 billion rubles of the savings fund have been diverted. At the same time the farms that have achieved financial stability could have already begun making settlements with the banks.

In 1989 all the enterprises in the APK are operating on the basis of complete cost accountability and self-financing. That is why it is so important to make dynamic use of advanced experience. This means, first of all, the rental contract, where, with fewer expenditures, the production of output is 20-30 percent greater. It is necessary to travel more boldly along the path of expanding rental as the most promising form of economic relations in rural areas.

High rates of investments are planned for developing and rebuilding motor roads. Proceeding from the government's program of road construction and rebuilding in the Nonchernozem Zone, additional expenditures until the end of the current five-year plan will be 3.6 billion rubles. It is difficult to overestimate their economic and social importance. They must result in a noticeable reduction in the production costs and losses of output, and must promote the permanent assignment of cadres in rural areas.

One of the leading areas in budgetary expenses is capital construction. And this is understandable, since the fixed assets, which determine the future both of material production and of the social sphere of our society, are formed here. Appropriations from the budget to finance state capital investments constitute 82.1 billion rubles.

A pivotal direction in increasing the effectiveness of the entire investment sphere is the improvement of the economic mechanism, and primarily the changeover from the uncompensated granting of funds to the providing of credit for capital investments on the basis of principles of payability and returnability. It will be necessary to work out thoroughly and completely the entire complex of economic and organizational questions in order to introduce this promising method more rapidly.

The improvement of the ecological situation is a task of tremendous political and social importance. In this regard, approximately 11 billion rubles are being allocated in 1989 for the protection of the environment and the efficient use of natural resources, with funds derived from the state budget, enterprises, and economic organizations. It is necessary to use those funds completely and strictly for their intended purpose. One task that has been assigned is the more rapid development of the economic mechanism for the use of the natural environment, which increases the cost-accountable responsibility of the enterprises and the economic agencies for pollution of the environment.

In the resolution of the economic and social tasks in 1989, an important role is assigned to the state budgets of the union republics. The share of the budgets of the union republics, which are an organic part of the single budgetary system in our multinational state, is approximately one-half the volume of the country's budget. In 1989 it is planned that state budgets will rise by 14.1 percent; for income and expenses they have been approved in the total amount of 229.1 billion rubles. The outstripping growth of the budgets in the union republics is linked with their social and economic development. Almost two-thirds of the appropriations are intended for education, public health, and the payment of pensions and grants in aid. Practically speaking, all the expenditures for developing the trade and personal services for the public, and for carrying out the housing and food programs, are financed locally. Thus, the raising of the public's standard of living and the improvement of the quality of life depend to a decisive degree upon the results of the economic and financial activity of the enterprises and organizations situated on the corresponding territory, and also upon the organizing role of the soviets.

The improvement of the condition of the state budget is the overall concern both of the central and the local agencies. It must be fulfilled jointly, by actively using all the available reserves. In this regard the councils of ministers of the union republics and the soviets of people's deputies have been given the responsibility, in the course of executing the budget, to seek an additional 11.2 billion rubles to reduce the budgetary deficit. This work must not be postponed to the end of the year, but must instead be carried out constantly. The RSFSR Supreme Soviet has approved the republic's State Budget with a deficit of 6.4 billion rubles. It was emphasized at the session that the deficit has been substantially aggravating the financial situation in the republic and it requires a fundamentally new approach to the mobilizing and use of financial sources, the considerable intensification of economy measures in all spheres of economic activity, and the guaranteeing of a complete financial return from the introduction of the new economic mechanism. The center of gravity in the search for sources of financing must shift to the enterprises, with a sharp reduction of most types of subsidies and uncompensated budgetary assistance. It is necessary to take decisive steps to reject the "dependent's" approach to budgetary appropriation. The increase in expenses must be linked with the opportunities for using primarily the farms' own funds and bank credit.

The intensification of the role of the soviets of people's deputies in resolving questions of the social and economic development of the territories under conditions of the reform of the political system of society and the further democratization of administration is inseparably linked with the expansion of their economic independence and with the increase of responsibility for the comprehensive development of the regions and the reinforcement of their own material-technical and financial base.

At the present time a system of measures is being developed to change over the republic-level and local agencies to principles of territorial self-government, self-financing, and self-support, with the mandatory condition that the regional interests are combined with the statewide ones.

An important step in this direction is being taken in 1989. It is planned that the local budgets will receive 2.1 billion rubles of deductions from the profit received by enterprises of union subordination, and 1.7 billion rubles of payment by those enterprises for labor resources.

The changeover to payment of the turnover tax directly by the enterprises that produce the commodities is coming to an end. In 1989 they will pay into the budget 92 percent of the turnover tax, and in 1990 its entire volume.

Belorussian, Lithuanian, Latvian, and Estonian SSR, the city of Moscow, Tatar ASSR, and Sverdlovsk Oblast of RSFSR, are beginning to develop a mechanism for territorial self-financing which stipulated a closer coordination of the expenses of the republic-level and local budgets with the final results of management. The sources of income have been formed on the basis of long-term quotas, including proceeds from all the enterprises situated on their territory.

It must be emphasized that the union republics and local soviets are devoting insufficient attention to the development and reinforcement of their own income base. The proper dynamism is not being demonstrated in the search for effective forms of attracting the public's funds on a democratic basis: new types of lotteries with prizes of money and valuable articles, voluntary types of insurance, voluntary rate-paying, auctions, the issuance of special-purpose bonds for local needs, etc. The financial support of the socioeconomic development of the territories has been carried out to a considerable extent by means of increasing the deductions from nationwide taxes and income, the amount of which in 1989 will be 76 percent, as compared with 65 percent in 1985. In Uzbek, Kazakh, Kirghiz, Tajik, and Turkmen SSR these deductions constitute 100 percent. In addition, these union republics will receive, for the purpose of covering their planned expenses in the form of a subsidy from the union budget, 5.9 billion rubles.

The use of the principles of self-financing is especially important for the rayon, village, and settlement soviets—the most massive link in the sovereignty of the people. In a number of places this work is already being carried out. In Moldavian SSR the functions of financing the social and cultural institutions are being gradually transferred to the village and settlement soviets. This will make possible the broader use of the rights granted to them.

The process of democratization and the development of territorial self-government require the establishing of new economic relations between the soviets, on the one

hand, and the enterprises and the public, on the other. We have in mind first of all the unification on a commercial basis of the material and financial resources of the enterprises, and the creation of joint production entities and special-purpose regional funds at the expense of voluntary amounts levied on the economic organizations and the public. These and other progressive forms that have been oriented toward the maximum use of the people's initiative will serve the purposes of implementing the comprehensive development of the territories and the protection of the environment. All kinds of support must be given to this process.

The 1989 USSR State Budget is a law that is mandatory for execution by the USSR ministries and departments, the councils of ministers of the union republics, the soviets of people's deputies, and the enterprises and organizations. The assignments stipulated in it are extremely complicated and responsible. They can be fulfilled if people work in a purposeful manner, demonstrating socialist initiative, and making the maximum use of the new management methods and the creative initiative of the labor collectives and each individual worker.

At the present time, despite the steps being taken to intensify production, the increase in income has been insufficient and has been lagging behind the growing needs. And the crux of the matter is that the achievements of scientific-technical progress are being introduced slowly, and the new economic mechanism has not yet been yielding its complete financial return. And this is at a time when the government has been forced to carry large expenditures for investments in the material sphere, urgent social and ecological programs, and the maintenance of the country's defense capability at the proper level. Many of these expenses simply cannot be postponed or limited. At the same time, no reliable set of instruments has yet been found to combat the not always substantiated rise in state expenses.

The current economic-financial situation and the state of monetary circulation require fundamentally new approaches to the organizing of the entire job of fulfilling the current year's budget.

The radical economic reform opens up opportunities for activating the tremendous reserves existing in any branch or region, at any enterprise. And, of course, business initiative and an enterprising mind, and the restructuring of the cadres' way of economic thinking, are extremely important. Sometimes we run things in such a way that many major reserves are simply not used. In order to activate them we do not need any large additional investments. Just one thing is needed—an efficient, zealous attitude toward the nation's wealth. And that attitude sometimes is also "in short supply." Let us take, for example, the unproductive expenses and losses. For the national economy as a whole, they reach 22-24 billion rubles a year. Every year the total amount of money written off for throw-away expenditures in



capital construction for the development of design documentation, the carrying out of construction-and-installation operations, and the purchase of equipment comes to one billion rubles. The losses from defective output in industry alone come to 0.5 billion rubles; and from livestock deaths, more than 1.5 billion rubles. There have been numerous instances of the squandering or misappropriation of material assets and monetary funds at enterprises, economic organizations, and budget institutions. Such instances were revealed at the Stavropol Liqueur and Vodka Plant, of RSFSR Gosagroprom [State Agroindustry]; at the Bozoyevskiy Sovkhoz, of the Alma-Ata Oblast Agroprom; the Tajik Republic Plodovoshchortorg Wholesale-Trade Base; the Pervouralsk City Public Health Department, Sverdlovsk Oblast; the Lyudinovo Central Hospital, Kaluga Oblast; and Nukus State University.

In carrying out measures to reinforce the financial situation of enterprises and the national economy, the elimination of loss-incurring operations is of primary importance. It is necessary to reject decisively the practice of mechanically covering the losses, which practice has developed. Unprofitable enterprises live at someone else's expense, incur large losses, and do not sense them in their own payment of labor. The critical nature of the situation consists in the fact that for this reason there is an annual loss of 10-11 billion rubles of the people's money. Approximately 25,000 enterprises in various branches are operating at a loss.

According to data provided by USSR Goskomstat [State Committee for Statistics], in the first half of 1988 the number of enterprises operating at a loss and the total amount of losses did decrease as compared with the same period in 1983 by 40 percent, but 7300 enterprises (not including kolkhozes and sovkhozes), or 9.3 percent of the total quantity, incurred losses with a total value of 2.1 billion rubles. In industry the number of enterprises operating at a loss came to 9.3 percent; in construction, 7.7 percent; and in transportation, 7.5 percent. The situation was especially unfavorable with regard to the elimination of losses at USSR Minlesprom and Minudobreniy [Ministry of Mineral Fertilizer Production], Turkmen, Armenian, and Azerbaijan SSR, and RSFSR.

Large losses are incurred by the subsidiary plots at industrial enterprises. The production costs of meat there are 30 percent higher than at kolkhozes and sovkhozes; and milk, 50 percent higher. Every year the losses there come to more than 500 million rubles and are covered by the profit obtained on the basic activity. In almost all ministries, these farms operate at a loss. The level of unprofitability is as much as 30 percent, and for USSR Minvostokstroy [Ministry of Construction in the Eastern Region of the USSR], 65 percent. One liter of milk produced on the subsidiary farms of USSR Mingeo [Ministry of Geology] costs 97 kopecks, and in USSR Minatomenergo [Ministry of Nuclear Energy], one ruble.

The real path to increasing the profitability of the subsidiary farms at the enterprises is the grouping of them into cooperatives with economically strong kolkhozes and sovkhozes.

Our society must know those who are multiplying the national wealth and those who are squandering it. The banks have already begun publishing lists of insolvent enterprises. A number of ministries have decided to reorganize or even to eliminate certain enterprises that have been operating unprofitably for a long period of time if, within the near future, they do not take the necessary practical steps or bring themselves out of their financial difficulties. This is, of course, a stern measure, but it is necessary and is made in complete conformity with the USSR Law Governing the State Enterprise (Association). These enterprises include the Poti Electrical-Vacuum Amplifier Plant, USSR Minelektrotekhprom [Ministry of the Electrical Equipment Industry]; the Oyashinskiy Reinforcement Articles Plant, USSR Minstankoprom [Ministry of Machine Building]; the Kirovograd and Priazovskiy Mining Director, USSR Minchermet; and certain others.

On instructions from the Government, the USSR ministries and departments and the councils of ministers of the union republics developed programs for eliminating loss situations basically in 1989. Here too it is extremely important for the ministries and departments, and the enterprises and organizations, to implement all the plans that have been set down. That would considerably reinforce their finances. It is necessary to change over from words to concrete practical matters. It is necessary to make broader use of the experience of transferring loss-incurring enterprises and individual production sectors to labor collectives on a rental basis, and of transforming them into cooperatives. The local financial agencies must participate actively in eliminating the loss situation at production entities and for various types of output.

It is necessary to intensify the attention devoted to the reinforcement of settlement discipline. The overdue indebtedness in the national economy constitutes more than 20 billion rubles. These nonpayments, like a chain reaction, worsen the financial status of the enterprises and hinder normal activity. Many payers continue to transfer payments to the budget after the established deadlines. As of 1 October 1988 there were arrears of a total of 57 million rubles, which amount was 36 million rubles more than during the previous year. Enterprises that were in arrears were in USSR Minelektrotekhprom, USSR Minstankoprom, USSR Mintyazhmash [Ministry of Heavy and Transport Machinery], and USSR Minselfkhoz mash.

Under conditions of the complicated financial situation, it is necessary at every ministry and department, in all the union republics, krais, and oblasts, and at every enterprise and organization to carry out specific work to

locate additional financial resources, to assure the maximum mobilization of internal reserves, and to guarantee the fulfillment of the financial indicators and the pledges to the budget.

One of the most important tasks of reinforcing the financial position of the enterprises and organizations is the acceleration of the turnover rate of working capital and the guaranteeing that they will remain intact. In recent times, definite measures were carried out in this direction. The reserves of working capital were stabilized, with an increase in the production volumes; and the expended working capital was restored in the system of USSR Minneftprom, USSR Mingazprom [Ministry of the Gas Industry], USSR Mintsvetmet, and also on farms in Belorussian, Lithuanian, Moldavian, and Latvian SSR.

At the same time, the reserves of material assets on the whole constitute approximately 470 billion rubles, or more than 50 percent of the gross national product. Many enterprises and organizations have a shortage of working capital. As of 1 October 1988 that shortage constituted more than 55 billion rubles. There was an especially unfavorable situation at the enterprises and in organizations of agriculture, the chemical-and-timber, machine-building, and construction complexes, in RSFSR, Uzbek SSR, and a number of other union republics.

The expansion of wholesale trade, the flexible interest policy of the banks, and the introduction of commercial prices for consumption in excess of the state production order and the contracts make it economically unprofitable to allow the reserves of commodity-and-material assets to increase. Thus, it is possible to free from economic turnover considerably more than a billion rubles. Simultaneously, the enterprises and organizations must take more rapid steps to make up the shortage of their own working capital by increasing the intensification of production and also by using the available money in the economic incentive funds.

In providing financial support for the economy, an important role belongs to credit resources. In 1989 more than 400 billion rubles of credit resources will be invested in the branches of the national economy, including one-quarter of them on a long-term basis. It is important to increase the effectiveness of credit and to guarantee its prompt return.

The economizing of resources must become an effective factor in improving the economy and finances. A decrease of material expenditures of only one kopeck in each ruble of social product will make it possible to receive an additional increase in the national income of approximately 15 billion rubles. It is necessary here to completely activate the material and psychological incentives for economizing raw materials, fuel, energy, and other resources. The resolution of the problem of the economizing of resources guarantees the reduction of

capital investments in the raw-material branches of the economy and the freeing of funds for other needs. Something that must become another substantial factor for improving the economy and finance is the improvement of the use of the existing production potential. Simply as a result of the reduction on the yield on capital, there will be an underreceipt in 1989 of approximately 2 billion rubles of national income, and this will increase the production costs and require additional capital investments.

It is no simple matter, but is realistic, to involve such billions in economic turnover. This requires the more complete use of the production capacities, especially at the enterprises and projects that are to be newly activated, the placing of a full load on the available areas, the increase in shift operations, and the acceleration of the replacement of worn-out and obsolescent equipment. It is necessary to carry out a careful stocktaking and a technical-economic analysis of the projects that are under construction and to develop steps to guarantee a sharp increase in the financial yield of investments.

A major reserve in increasing the income of the enterprises and organizations, and of the state as a whole, is the improvement of the quality and reliability of output. The national economy still incurs large material, financial, and psychological losses as a result of the poor quality of commodities. According to data provided by USSR Goskomstat, during the first half of 1988 alone, the following quantities of commodities of unsatisfactory quality were produced: television sets, 1,314,000; tape recorders, 594,000; radio receivers, 338,000; timepieces, 1,591,000; and other commodities intended for cultural and everyday purposes. There was a 100-percent rejection rate for the commodities that were checked at the Cherepovtsy branch of the Rassvet Garment-Production Association in Leningrad; the leather association in Dushanbe; and the Kiev Headgear Production Association. Ninety-five million rubles was expended to eliminate the defects. Consequently, it is necessary to improve constantly the technology of production and the organization of labor, and, wherever necessary, to take more decisive steps to apply material, legal, and other measures for exerting an effect on persons who fail to observe the production conditions and to erect a solid roadblock against defensive output.

A first-priority role in increasing the effectiveness of social production belongs to the acceleration of scientific-technical progress.

The amount of money channeled from the budget into the financing of science is 21.5 billion rubles, with an increase of 20 percent. It is planned to use these funds to support such long-term fundamental research as the resolution of problems of high-temperature superconductivity, the creation of new construction materials, biotechnology, information science, and also interbranch programs. There has been an increase in the role of USSR GKNT [State Committee for Science and

Technology] in coordinating the priority trends of scientific-technical progress. It will have at its disposal a special fund of financial resources. There has also been an increase in the volume of self-financing of branch science, which is changing over to cost-accountable relations.

Construction has large opportunities at its disposal for reinforcing the financial situation. Although the financial indicators here are improving, there have been no fundamental changes. The continuing dispersal of resources and the tardy activation of fixed assets have been aggravating the lack of balance in the national economy. The construction periods for many production projects exceed the planned ones by a factor of 2-3. Tremendous funds—more than 9 billion rubles—are frozen in above-quota uncompleted construction alone.

Considerable financial losses are borne by the state as a result of construction projects that stretch out for long periods of time. At the Novomoskovskbytkhim Production Association of USSR Minkhimprom, the construction of a complex designed to produce 200,000 tons of synthetic detergents on the base of complete imported equipment has been under way for approximately eight years, and the deadline for activating it has been repeatedly extended (the original deadline was 1983). The equipment that had been purchased for 30 million foreign-currency rubles has been inoperative for approximately seven years, is physically older as well as obsolescent, and the warranty periods for the equipment expired as long ago as August 1983. Thus, the money lies there as dead capital, and the country has failed to receive commodities with a total value of almost one billion rubles and budgetary income of 200 million rubles.

Considerable resources can be made available by reducing the above-quota reserves of uninstalled equipment, which have reached 5 billion rubles.

Tremendous material and financial resources have been drawn into capital construction today. And the extent to which they are used effectively and economically will largely determine the acceleration of the rates of intensification of social production and the financial improvement of the entire economy.

The increase in the effectiveness of state expenses requires the paying of constant attention to questions of improving the structure of administration in the center and in the outlying areas on the basis of the broad introduction of economic methods and the development of the information base.

The expenses to maintain the state apparatus have been planned in the amount of 2.9 billion rubles. Last year work was carried out to improve administration. Many intermediate links were eliminated at ministries and departments and in the union republics, and the number of official passenger cars was reduced by one-third.

But that is only the beginning. The line aimed at reducing the number of administrative personnel and the expenses to maintain them will also be carried out firmly in the future. Today 16 million administrative workers, or approximately 90 percent of the apparatus, are working directly at the enterprises and other low-level production links. More than 30 billion rubles is being expended to maintain them.

The enterprises have now been given broad rights to determine for themselves the administrative apparatus and to save their own funds in doing so. Nevertheless, during the past two years, as has been demonstrated by random checks, the number of administrative workers, at just the industrial enterprises that have been checked, has increased by 218,000. For example, at the Omskstroymaterialy Association the administrative apparatus in 1988 increased by 8.7 percent, as compared with 1986, and the expenses to maintain it increased by 29.9 percent, with a reduction in the number of industrial-production personnel by 0.3 percent and an increase in the volume of production of commercial output of 5.7 percent.

The Omsk Production Association for City Planning and Beautification, by using funds received from the city's enterprises by way of shared participation to carry out city-planning operations, maintained official vehicles for the six rayon ispolkoms in the city of Omsk. In 1986-1988, 52,700 rubles was expended for these purposes.

Consequently, the rights must be reinforced by responsibility. It is necessary to take more dynamic steps to introduce at the enterprise democratic principles that have proven their worth in the practical situation—principles governing the formation of the administrative apparatus and the monitoring of its activity—and to involve the labor collectives more broadly in this. Experience shows us that, for example, when individual industrial enterprises change over to the rental contract the number of administrative personnel is cut to one-third to one-half its original number.

A similar picture is observed when using progressive forms of management in the agroindustrial complex, in construction, and in other branches. Here the payment of the labor performed by the administrative workers is closely linked with the economic results of the enterprises and organizations.

It is necessary, not in words but in deeds, to change over to the new forms of economic relations. Only under these conditions, by consistently carrying out a course aimed at the democratization of administration, will the enterprises be able to conduct a firm line aimed at the further reduction in the size of the administrative apparatus and the cost of maintaining it, and at the increase in the effectiveness of its operation.

In the financial improvement of the national economy, one of the central places has been assigned to the

stabilization of monetary circulation. The ruble for which a commodity has been pledged is the basis of material self-interestedness in the results of labor and the normal functioning of the system of economic incentives and the sphere of production and circulation. That is why the task that moves into the forefront is the task of the rapid saturation of the market with consumer goods. In 1989 there began a major regrouping of financial investments in favor of the outstripping development of Group B in industry, where the turnover speed is 3-4 times greater than the average for the national economy. A special system of financial benefits that encourages the enterprises to increase the production of commodities for which there is a daily demand, and to expand their variety, has also been put into effect.

In order to strengthen financial circulation, it is no less important to regulate the public's income correctly, so that that income corresponds to the specific contribution being made by every member of society to the multiplication of the national income. It is necessary to observe constantly the economically substantiated correlations between the increase in productivity and the payment of labor. And the branch ministries must not stay aloof from this task. It must be stated outright that the forms and methods that are being employed to pay for labor give the labor collective little self-interestedness in introducing scientifically substantiated individual-production quotas, or in introducing advanced organization of labor, and give rise to such an abnormal situation as wage leveling.

In almost half the industrial ministries, the growth rates for average earnings have outstripped the labor productivity. The situation is no better in the other branches. There have been instances when, in order to pay the labor, the enterprises spend more funds than they receive as income. The Tselinny Sovkhoz, Pavlodar Oblast, in 1987, with a gross income of 375,000 rubles, expended 1,109,000 rubles to pay for the labor, that is, 3 times more than its income. Enterprises in the personal-services sphere in Tajik SSR in 1988 received from centralized funds an additional 484,000 rubles to form a labor-payment fund. We can no longer reconcile ourselves to this situation. Essentially speaking, this is an "eroding" of the accumulated wealth of society. Starting with the current year, bank monitoring of the correlation between labor productivity and the average earnings has been established on a quarterly basis. This measure is aimed not at the limitation of the public's monetary income, but at the close correlating of that income with the final results of their labor.

It will be necessary to develop a series of effective anti-inflationary measures and to implement them persistently, and to erect a firm roadblock to unearned money.

In the entire national economy it is necessary to introduce more rigid accounting and monitoring on the part of society and the government over the measure of labor

and the measure of consumption, which is directly linked with the Leninist idea of socialism. At the present time neither accounting nor monitoring is organically included in the new economic mechanism, and they have not yet become a reliable obstacle to waste and poor business practices, or to nonlabor income.

The present-day economic mechanism is capable of accelerating the mobilization of reserves, since every labor collective determines the prospects for its development, resting on its own financial base. In 1989 the enterprises will have at their disposal funds totaling more than 200 billion rubles. The labor collectives must use that tremendous amount of money efficiently and must be concerned about reinforcing the production base of the enterprises as the material basis of social development.

The expansion of the enterprises' financial opportunities has been attested to by the increasingly large extent of their temporarily freed monetary funds. They are determined to be in the amount of 40 billion rubles. It is necessary for the money to work actively, instead of lying around as dead capital. For this purpose it will be necessary to create the conditions for their cost-accountable use wherever they will have a rapid yield. The enterprises can form joint funds for financial improvement and the giving of joint credit. This experience also exists in nonferrous and ferrous metallurgy and in the agroindustrial complex. But we do not have in mind the previous practice of uncompensated subsidizing of the background enterprises, but instead a partnership based on contractual cost-accountable principles.

The restructuring of the financial relations among the enterprises requires a smoothly operating mechanism of branch and interbranch monetary turnover. This is not a new matter. It will be necessary to set out actively along the path of organizing the branch and regional commercial banks, which have begun operating both on a state basis and a cooperative one. It is necessary to introduce cost accountability more rapidly into the low-level links of the bank system.

The financial mechanism is being substantially enriched by such a new instrument as the issuance of shares. They will be of two types: those to be distributed among the enterprise's or organization's own workers, and those intended for free sale to other enterprises and organizations. The shares increase the potential of self-financing, by attracting part of the workers' personal income for purposes of economic and social development. The shareholders become, to a greater extent, the bosses in production, with a direct self-interestedness in taking a thrifty attitude toward the state property that has been put at the disposal of the enterprises. A number of labor collectives are already using this democratic form of participation in administration and have been getting rather good results.



Major reserves lie in the developing of rental relations for producer goods not only in agriculture, but also in other branches. The economic basis of rental is the increase of the responsibility and self-interestedness of the labor collectives in the better use of socialist property. It is desirable to employ rental relations primarily for financially unstable small and medium-sized enterprises.

An important trend in financial work is the fundamental improvement of state insurance in the interests of satisfying the public's social needs. The development of state insurance is also an important factor for improving the financial situation and reinforcing monetary circulation in the country.

At the same time, the organizing of insurance matters does not conform to the increased demands by the public or the new management methods. In a number of regions of the country, the efficient fulfillment of the plans for receipt of insurance payments is not being guaranteed. For example, during the first nine months of 1988, the insurance agencies of Azerbaijan SSR failed to assure the receipt of payments involved in the mandatory and voluntary insurance of the citizens' property with a total amount of more than 500,000 rubles, and the insurance agencies of Armenian SSR, voluntary types of public insurance for 266,000 rubles.

The reserves for developing voluntary insurance are being used insufficiently. Whereas for the USSR as a whole life insurance extended to 63.1 percent of the workers and employees, in Azerbaijan SSR 22.1 percent were covered, and in Armenian SSR, 39.6. This type of insurance has also been developing weakly in Turkmen, Tajik, Georgian, and Uzbek SSR. The development of property types of insurance has been lagging behind in Moldavian and Kirghiz SSR.

For the time being, insurance of the additional pension for workers, employees, and kolkhoz members has been developing weakly.

With the changeover to economic methods of administering the national economy and the increase in the public's income, there has been a significant increase in the role of state insurance in protecting the property interests of the public, the agricultural enterprises in the agroindustrial complex, the cooperative and public organizations, and the cost-accountable enterprises (organizations).

In this regard, the USSR State Insurance Board, jointly with the insurance agencies locally, will have to raise to a qualitatively new level the organizing of insurance work in the country, to improve the types of insurance that are currently in effect and to introduce new ones that conform to the interests of the public and the state, and on that basis to guarantee in 1989 the receipt by the insurance fund of 17.8 billion rubles, including 11.4 billion rubles of payments by the public, as well as the

fulfillment of the pledges to the budget. All the conditions for this exist. The USSR Gosstrakh [State Insurance] Board has been created, its rights have been expanded, and the activity of the Gosstrakh agencies has been changed over to the principles of complete cost accountability.

It is necessary to expand considerably the types of state insurance, to increase their social directedness, and to eliminate the existing differences in the level of development of the public's voluntary insurance in various parts of the country. Greater dynamism and flexibility must be given to the state-insurance services, and they must be made accessible for all groups of the public and for citizens with a different level of prosperity.

The special attention of all the insurance agencies must be aimed at providing high-quality services to the insured individuals, and the prompt paying to them of the insurance benefits. Shortcomings in this work cause well-founded complaints from the citizens and justified criticism in the press.

Under conditions of the restructuring of the economy, the expansion of the independence of the enterprises and organizations on principles of complete cost accountability and self-financing, and the introduction of the rental contract, it will be necessary within the shortest periods of time to complete the development of the conditions for insuring the property of state enterprises, the rental contract, and the civil property of owners of means of transportation, and other new types of insurance services.

It is necessary to improve considerably the advertising of the socioeconomic importance of state insurance. That advertising must be understandable by broad segments of the public and must be convincing for them. It is necessary to make wider use of the opportunities of the press, the radio, television, and other mass information media to propagandize insurance services.

The implementation of measures to execute the 1989 USSR State Budget will require active and purposeful work on the part of USSR Minfin [Ministry of Finance] and all the financial agencies.

The board of USSR Ministry of Finance has approved the plan for the Basic Questions of Economic and Monitoring Work in 1989, which stipulates a broad group of specific measures aimed at resolving very important tasks: the financial improvement of the national economy and the reinforcing of monetary circulation; the establishment of rigid economy measures in expending state funds; the intensification of the effectiveness of financial monitoring of the intactness of socialist property; and the improvement of the style, form, and methods of the economic and monitoring work of the insurance agencies. In 1989, in particular, it will be necessary: to study thoroughly at the enterprises in the branches of the national economy the results of the work under conditions of complete cost accountability and self-financing and the effect of the USSR Law



Governing the State Enterprise (Association), and to analyze the rate of fulfillment by the USSR ministries and departments and the union republics of the measures aimed at improving the financial status of the branches of the national economy and the reinforcement of monetary circulation, as well as the programs to eliminate loss-incurring operations (including individual types of output and services), and the carrying out of measures to bring into circulation the reserves of commodity-material assets, and to analyze the reasons for the formation of losses and unproductive expenses.

It will be necessary to analyze the structure of the production costs of the basic types of agricultural output and the reasons for their increase, and to check the economic substantiation for establishing differentiated markups to the purchase prices of agricultural output and their influence on the level of profitability, as well as the effectiveness of the use of the funds allocated for land reclamation.

It has been planned to study the structure and organization of the administration of production at enterprises of industry, construction, and agriculture, and the status and tendencies of development of the administrative apparatus and the expenses to maintain it for purposes of carrying out steps to achieve the further reduction in the cost of the administrative apparatus; to check the specific use of the funds allocated to finance scientific-research and planning-and-designing operations being carried out by individual ministries in conformity with the program for developing and organizing the production of new types of technology for the processing industry.

It will be necessary to develop recommendations for the Basic Directions in the Economic and Social Development of the USSR in 1991-1995 with regard to the financial improvement of the national economy and the reinforcing of monetary circulation and the balancing of the USSR State Budget.

The task of all the financial agencies is to begin to fulfill them starting at the very beginning of the year. The chief attention must be devoted to concentrating the efforts in the strategic areas of improving finance and the economic-financial activity in the national economy, the successful execution of the budget for the current year, and the development of financial indicators and a normative base for the 13th Five-Year Plan.

When carrying out the work, it will be necessary to strive actively, jointly with the planning and bank agencies, and the enterprises and organizations, to guarantee the fulfillment of the plans for financial results and payments to the budget, to eliminate operations at a loss and unproductive losses in the economy, to speed up the turnover rate of working capital, to achieve the outstripping growth of labor productivity over the increase in the average wages, to economize resources, and to increase the effectiveness of capital investments.

The financial agencies must regularly analyze the results of the work performed by the enterprises and organizations under conditions of complete cost accountability and self-financing and the effect of the USSR Law Governing the State Enterprise, and must render practical assistance to them in setting up the economic work and developing the recommendations aimed at further increasing the effectiveness of management and at eliminating shortcomings in economic-financial activity.

Under the new management conditions, there is a need to study carefully the status and tendencies in the development of the administrative apparatus and the expenses to maintain it, and to develop recommendations for reducing its cost.

A serious task is the intensification of the effectiveness of the financial monitoring of the observance of the economy measures and the intactness of socialist property, and the improvement of economic and monitoring work. The monitoring must also be directed at rendering methodological and practical assistance to the enterprises, associations, organizations, and institutions in setting up the economic-financial work, the developing, jointly with them, of recommendations to improve their economic-financial activity, and to eliminate the causes and conditions that give rise to poor business practices and waste, and shortages and misappropriations of monetary funds and material assets. It is necessary to create conditions under which all the agencies of administration, all the enterprises and organizations, have a self-interestedness in efficient monitoring.

The workers in the financial and bank agencies and the economic services of the ministries must strive persistently to master modern methods of administration and to have a high professional level. The chief emphasis must be made on developing partner relationships with the enterprises for locating all the opportunities for building up the monetary accumulations and for intensifying thrift and economy.

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#### **Reader Proposes Independent Commissions to Study Price Reforms**

*18200156a Kiev RABOCHAYA GAZETA in Russian  
10 Dec 88 p 2*

[Article by reader S. Mironchenko, economist and instructor at Odessa Polytechnical Institute, under the rubric "Frank Discussion Between the Reader and the Newspaper": "An Economist's View on Price Reform: Everything Is Interrelated"]

[Text] I am writing in RABOCHAYA GAZETA because it has published materials on this subject on several occasions.

It is common knowledge that a radical reform of pricing is planned for the beginning of the 1990's. The disproportions and contradictions in pricing in the USSR should be eliminated as a result. The reform is being prepared basically by the USSR Goskomsen [State Committee on Prices]. After that a draft of the reform will be submitted for public discussion. And as a result we will acquire at best only a version advanced by this committee which has been amended to a greater or lesser extent.

I consider such an approach to be incorrect. Too much has been staked to have 90 percent of a matter that is so important for the country decided by a comparatively small collective (even though it is made up of high-class specialists in prices). We should discuss not one, but several alternative drafts.

It seems to me that we should organize another one to three groups of specialists independently of the Goskomsen to work out several viable versions in detail. It is not at all essential that these different approaches be diametrically opposed. The important thing is that they are comprehensive and consider the system of prices and tariffs in all the diversity of economic interrelationships. In addition, each one of the concepts advanced should be conclusive and corroborated without fail by results obtained from modeling different economic situations which may involve individual sectors, regions, or the country as a whole.

Questions also arise in connection with the length of time for discussion of the price reform draft. We are to enter the 13th Five-Year Plan with a new price system. It is assumed that we must complete revision of wholesale prices in industry and transport tariffs by 1 January 1990 and purchase prices and quotations in construction by 1 January 1991. The same applies to the reform of retail prices. Consequently, a new price system should be functioning in a little over a year. But the Goskomsen, according to I. I. Gorbachev, the committee's deputy chairman, is working on the preparation of proposals for price reform at the present time. Just when will we see a draft of the reform? After all, 2 or 3 months will be necessary for discussion, plus 2 months to summarize the proposals for price reform, and the final version must be worked out. When will the vast pricing system of the USSR be put in order in conformity with the additional documents on pricing? I would like to hear the Goskomsen's explanations with respect to this.

#### **Discussion of Social Cost of Price Reform**

18200156b Moscow *PLANOVOYE KHOZYAYSTVO* in Russian No 11, Nov 88 pp 105-109

[Article by I. Zagaytov and P. Polovinkin, doctors of economic sciences and professors, under the "Pricing Problems" rubric: "The Social Orientation for Retail Prices"]

[Text] It is common knowledge that many aspects of a plan are inseparably linked with prices. Pricing itself is

planned in nature. In radically reforming management of the country's economy as a single national economic complex, it is important not to lose our social orientation, the main social objectives of planning.

At the same time, in order not to permit fundamental errors which lead particularly to negative social consequences, the conceptions and proposals of scientists, specialists and workers on price reform have to be considered carefully. Even when one idea is selected, we need to take the expedient aspects of others into account. For as V. I. Lenin noted: "...the intellect of tens of millions of creators produces something immeasurably more exalted than the greatest and most brilliant foresight."<sup>1</sup> An article by A. Deryabin, which contained valuable suggestions on retail price reform, in our view, was published in the journal for purposes of discussion.<sup>2</sup> We would like to develop the ones which express the need to take the social aspects of prices into account. This is extremely important. Retail prices, like no other types of prices, bear the greatest social burden firsthand. But in the proposals by a number of prominent economists and sociologists with respect to retail prices, an accurate social guidepost for implementing the principal social functions in the current stage of socialism's development is not always maintained. The objective is to restore and significantly reinforce social orientation in planning pricing.

Reinforcement of the purchasing power of the Soviet ruble may and should become an important factor in increasing workers' incentive to realize the advantages of socialist property and to overcome the cost mechanism. In the final analysis, economic incentive is ensured not so much by the number of money symbols acquired by a worker as by the opportunity to obtain the necessary quantity and quality of use values for each monetary unit that is earned. At the same time, a crucial role is played by the rate of increase in the resources of consumer goods and services which are in public demand and the rate of growth of monetary incomes. At the present time, there is no interrelated dynamic proportionality here.

Resources of consumer goods are built up at the cost of domestic production, naturally. At one time the role of imports was reinforced. The decline in the national economy's rate of development in the late 1970's and early 1980's, accompanied by an inadequate increase in the nominal wage, was responsible for latent intensification of inflationary tendencies and a decline in the ruble's purchasing power. For this and other reasons, a gap developed between the dynamics of monetary incomes and what they could pay for. As a result, the correlation between savings bank deposits and stocks of consumer goods changed. While the ratio was 18.7 and 35.3 billion rubles (0.5 to 1) in 1965 and 46.6 and 45.7 billion rubles (roughly 1 to 1) in 1970, it was 242.8 and 70 billion rubles (about 3.5 to 1) in 1986. As we see, the correlation was changed substantially. Hence the excessive pressure of effective demand on the consumer goods market. Factors which weaken this process to a certain extent had an effect at the same time. One of them,

favorable foreign trade market conditions, made it possible to increase foreign exchange receipts in the 1970-1984 period only because of the dynamics of prices in the world market. However, the situation in the foreign market began changing for the worse later on, as the result of which foreign exchange receipts declined in the 1985-1986 period. Taking into account the reduction of receipts from the sale of alcoholic beverages, the possibility of stabilizing monetary circulation became even more complicated. The fact that the production cost of most kinds of agricultural output rose in the 1970-1985 period has to be taken into account as well. For example, the production cost of 1 quintal of milk and 1 quintal of additional weight on hogs rose by 1.9 times as much (from 17.7 and 119.4 rubles to 34 and 231.3 rubles); the production cost of 1 quintal of weight gained on cattle and sheep increased by 2.2 times as much (from 116.6 and 80.1 rubles to 252.7 and 189.1 rubles). This led to the need to raise purchase prices for meat (by roughly 1.6 times as much) and milk (by more than twice as much). Consequently, the state subsidy for livestock products was increased.

Restoring and steadily maintaining the best possible planned and managed relationship between the sum of consumer goods prices and the effective demand of the public is the most drastic method of getting out of the financial difficulties that have been created. A number of factors operate in this process, including those which continuously have an effect at the level of the national economy and those that are temporary, caused by the situation that has taken shape in the economy and society as a whole. The following are the most important factors of national economic significance:

- restoration and continuous maintenance of the optimum proportion between increase in labor productivity and the consumption fund;
- development of a wage system in which payment is guaranteed only for the production of products which meet public requirements and which enjoy public demand;
- elimination of antisocial incomes, especially manifestations of the so-called shadow economy;
- optimization of production and commodity stocks in all units of the national economy;
- a guarantee of economic responsibility and incentive for all members of the public in the results of their labor when the management apparatus is reduced; and
- an increase in the yield of the end product from agricultural raw material.

There is no question that the basis for reducing purchase prices for agricultural products and wholesale and retail prices for consumer goods is a decrease in the production cost of output. However, we must take into account that

the production cost of agricultural output depends on removal of the intersectorial disproportions of the APK [agroindustrial complex] and solution of the most important social problems. As far as the orientation of price changes and pricing is concerned, "there can be only one approach here—a change in retail prices should by no means be accompanied by a decline in the people's standard of living,"<sup>3</sup> M. S. Gorbachev stated at the 19th All-Union Conference of the CPSU.

In our view, it is precisely in the social implications of retail prices that the distinction between the different concepts for practical implementation of such a reform is most clearly seen.

Certain economists believe that our prices should correspond to world prices. To begin with, it is difficult to consider such a statement of the problem as theoretically and methodologically consistent. The basis of retail prices in the domestic market is the national cost of a commodity, and the basis in the foreign market is the international cost of a commodity, which is often established by the world capitalist economy. Further, pricing under socialism cannot imitate the system of prices in the capitalist market, where monopoly capital predominates. Prices in the world market reflect not only the correlation in inputs to produce goods, but to a significant extent, the dynamics of the world capitalist economy as well. If this is not taken into account, it is impossible to explain, for example, the spasmodic rise in prices for oil and petroleum products at first, then their decline for 10 years (1973-1983); it is impossible to comprehend why the price of 1 kilogram of coffee in the world market is equal to the price of only 2 square meters of window glass and the price of 1 cubic meter of round timber is equal to 140 kilograms of lemons or 300 kilograms of unrefined sugar. The economic realization of the special advantages of monopolistic production over nonmonopoly capital is evident here, as well as the advantages of both over the surpluses of small-scale commodity production. It would be futile to look in prices for any conspicuous attempts to resolve those problems that are considered the principal ones in a socialist society: stimulation of the volume and pattern of consumption for workers that is socially promising, social protection for members of the public that are unable to work, depreciation of unearned incomes, and so forth.

Marxist economic science has not "been ashamed" to admit that it has a class nature and that the strategic interests of the working class and the working sections of the population serve as its compass on the winding path of the search for scientific truth, inasmuch as under current conditions, they form the sum total of "special individuals whose interests coincide with mankind's long-term interests."<sup>4</sup>

With such a social orientation, price changes will be able to provide additional incentives to increase production of socially necessary products and the rationalization of

consumption, to serve as a factor to defend the principle of distribution according to labor for the able-bodied and optimization of distribution through public funds for those unable to work, and in the final analysis, to ensure that socialism and socialist justice are strengthened in practice.

It is important to stress here that the orientation should not be simply toward social justice in general, but toward socialist justice. For social justice is class-oriented in nature and for each society it stands for strict observance of the principles under which it functions. For capitalism, distribution in accordance with capital, payment to a worker for the cost of his manpower, and so forth, have been and are socially just. Socialist justice is a form of realizing socialist principles in the functioning of our society, where the principal objective is to establish equal conditions for the molding and all-round development of abilities and improvement in the personality of all members of society; the only criterion for everyone in distributing the national product for the able-bodied population is in accordance with their labor.

Based on this, we believe that in forming retail prices it is necessary first of all to take into account as much as possible the unutilized reserves for a noncompensatory increase in prices for those commodities which are not part of the basic necessities and which may be used for exchange in the foreign market to replenish the resources of food and nonfood commodities that are in short supply in the country. As an example, the price for 100 grams of red caviar is 4 rubles. In 1986 we were able to import 8.5 kilograms of poultry meat from France, which was sold for 21 rubles, in exchange for this amount of caviar. The figures for black caviar are even more significant: for every 100 grams of this product we would receive 27 grams of meat from France in the same year. In the world market, one standard jar of canned crab was exchanged for 8 kilograms of butter. These are proportions with respect to which our domestic prices for these commodities can only be called a fig leaf for the premium to obtain access to scarce products. Not only the prices for certain commodities suitable for export, but for imported goods as well, are in roughly the same category. In 1986 almonds were purchased in the U.S.; the price for one kilogram of them made it possible to obtain and sell Moroccan oranges to the public for 18 rubles. The correlation of world prices could become the lower limit of retail prices for such products, assuming that we managed to increase to the maximum extent either the receipts from their sale within the country—to whom they are accessible, or the currency resources to acquire consumer goods in the interests of the majority of the people.

We think that it would be expedient to more clearly define the range of commodities which are economically suitable for export and are not basic necessities and to align domestic prices for them in conformity with world prices.

Such an approach would also have to be used with respect to those so-called delicatessen products which are traditionally not items in our country's foreign trade, which are produced in limited quantities, and which will still not become accessible soon to most of the working people. Economically, politically, and morally the country will lose nothing if such an assortment is sold at monopolistically high prices, which push out stellate sturgeon, smoked meats, and other products from under the counter. Several billion rubles in additional commodity turnover obtained on a noncompensatory basis—this is an appreciable increase in the state budget.

As far as the remaining commodities are concerned, it obviously has to be kept in mind: if we raise the retail prices for them, prices will thereby rise in city and rural markets, which the state will not be able to make up for. This will have an effect on the family budgets of the worker and the kolkhoz farmer and the pensioner and the student, and on the living conditions of newlyweds, families with many children and those with none.

It is necessary first of all to define clearly in a politically and economically sound manner what we are to be guided by in changing the retail prices for consumer goods.

The groundlessness of the unequivocal principle of obligatory conformity of retail prices to the full socially necessary expenditures for the production of individual products can be demonstrated not only in the example of alcoholic beverages and tobacco products. Such conformity, as K. Marx showed, is not even provided by the capitalist market, since it is oriented not to value, but to the price of production or a monopolistically high price.

The specific nature of socialist production presupposes a specific method of exchange as well, that is, the organization of a system of prices and its dynamics in accordance with socially necessary expenditures and useful gain, which in turn is assessed from the standpoint of the requirements of the basic economic law of socialism. It is precisely for this reason that the vital requirements of working people in a socialist society are met on a basis of nonequivalence and even free of charge. Medical treatment and various types of necessary disease prevention are not paid for by the public, and the time will come when we will evidently succeed in making most of the public eating facilities free for the working people engaged in socially useful labor and for those who cannot work owing to objective conditions. This will be economically and socially effective. **And in the interests of reinforcing social stability it is necessary to maintain a reduced level of retail prices for certain types of food required by most of the working people.**

At the same time, differentiation in prices for meat and meat products is necessary, taking into account their consumption attributes and the extent of industrial processing, and bearing in mind the sale of products of higher quality at prices which exceed the total socially



necessary expenditures for their production and sale. Inasmuch as in the future the increase in retail commodity turnover of food products will take place basically because of higher-quality products, this will have an effect on reducing the overall number of corresponding budgetary subsidies, other things being equal.

Extension of the differentiation between the retail prices for meat and dairy products and other types of foodstuffs, as well as industrial commodities (it is important to reinforce their elasticity and sharply increase the range between what is excessively popular and what is "unmarketable"), in our opinion, will make it possible to maintain the level of prices for animal products which form the protein basis in the system of public nutrition. These are milk and the average types of meat and sausages.

Why do we believe that increasing prices for these types of products is not advisable? We see this as the main reason: if we are consistently guided by the decisions of the 19th All-Union Party Conference and the July (1988) Plenum of the CPSU Central Committee on the inadmissibility of lowering the workers' standard of living in the course of retail price reform, the reduction of budgetary subsidies for the sale of meat and dairy products will have to come back to the people by other channels. In this case, everything comes back, and this is why. An addition to wages will lead to an increase in the production cost of an item in the final analysis. This will require a new increase in prices in the future. This phenomenon is being observed in a number of socialist countries. Then new supplementary payments will have to be made, and so forth. Moreover, a simple supplementary payment that is not linked with distribution in accordance with labor can lead to a decline in economic incentive and other negative consequences which undermine the principle of socialist justice. That is, it is impossible not to take into account the entire range of economic, social and political consequences of such encroachment upon public relationships.

When the question is raised about increasing prices for products of the so-called delicatessen variety, the potential gain here is obvious—the high prices will perform the function of additional taxation of the group of working people that are the most highly paid and have the most money. Higher prices for those types of meat products which cannot be provided yet for the overwhelming majority of the people will make it possible to turn these scarce products into ones that are unsubsidized and profitable for the budget, and thereby to prepare financial prerequisites for the unsubsidized sale of meat products later on, when it becomes possible to considerably increase production of them. An increase in prices for the entire assortment of meat and dairy products will encourage the use of grain to feed cattle on subsidiary farms.

Individual economists and sociologists assume that an increase in retail prices in itself possesses the miraculous

power of turning commodities in short supply into ones that are accessible. In reality this is far from so, because a counter becomes empty not because of low prices, but because they do not correspond to effective demand. It is easy to become convinced of this in the following example. In 1985, more than 12 million tons of meat and meat products were sold for more than 25 billion rubles through state trade and consumer cooperatives. But if the prices for meat had been twice as high and the public would have been paid compensation for approximately the same sum, would the meat situation really have changed in the market? We think that it would have been just as strained, since the increase in the people's monetary incomes will turn not to the purchase of sugar, which is consumed in abundance, and not to the purchase of several more clocks, television sets, and so forth, but to what continues to be essential every day—meat.<sup>5</sup> As a result, the real demand for a given product would not decrease, but an uncompensated increase in prices would be observed in cooperative trade and in the kolkhoz market. This is why as long as the volume of meat production in the country lags substantially behind effective demand, it may be socialistically just to provide access to consumption of this and similar products to all workers and pensioners by reinforcing state regulation of distribution—possibly in a more differentiated manner, taking into account their type of work, where they reside, and so forth. Releasing a product in short supply for distribution through the mechanism of prices alone means pressing right from the start most of the large families, which society does not compensate through wages for inputs of socially necessary labor for reproduction of the work force.

For a long time we have been extremely inattentive to parental labor, the "family contract" in the area of reproducing spontaneous life which F. Engels defined as "the production of man himself, the continuation of his kind."<sup>6</sup> A change in retail prices will make it possible to correct this injustice, for example, by utilizing the budgetary part of compensations to increase the prices for individual products to organize free meals for schoolchildren and introduce a system of monthly payments to support the children of parents employed in socially useful labor and pensioners.

In this way, a thoroughly considered social approach to changing retail prices for foodstuffs will ensure not only that there is no budgetary subsidization for the entire increase in the food fund but active influence to improve the pattern of consumption, and it may become an additional factor in reinforcing social protection of the working people by depreciating parts of unearned income.

A similar position has been justified with respect to retail prices for nonfood commodities. But in this area it is important to carry out a more flexible policy in setting prices. For example, along with the critical shortage of high-quality goods, a vast number of unmarketable goods, most of which the public will not purchase at



"frozen" prices, have been accumulated. An "appreciable" reduction (30 to 50 percent) in the prices for such commodities is required. Otherwise, they may either become worthless in general under current storage conditions or become so obsolete that they lose consumer value.

In addition, it is necessary to react more sensitively to demand in time. A simple example: when jeans were prestigious for the youth and they could have been sold at 150 rubles each, we were selling them for 100 rubles each. The young people were standing in lines for them and overpaid speculators twice as much and even more for them. Now they are not buying many, but they cost 100 rubles as before. It is time to reject such "concrete" prices and learn how to regulate the production and sale of consumer goods in a systematic and efficient manner in accordance with price groups and by allowing their transfer from one group to another.

The excessive pressure of effective demand may not only be completely localized but turned back as well, without taking real incomes from the people and even without affecting the retail prices for the assortment of meat and dairy products that are now accessible to the overwhelming majority of the people, if the increase in production growth rates, the reduction of production cost, and improvement in the structure of foreign trade, and so forth are supplemented by an active offensive against negative trends, different types of unearned incomes (theft, speculative profit, and so forth), and by eliminating shortcomings in the systems for distribution in accordance with labor and the public consumption funds.

Consideration of all the nuances of the social functions of retail prices and the systematic, day-to-day regulation of the relationship between all effective demand and the sum of prices for all consumer goods is not only able to overcome the pressure of excessive effective demand and avert it later on, but organically blend retail prices into an active factor of the economic and social mechanism to counter costs. All this will work for effective development of real socialism and the achievement of its highest goal.

#### Footnotes

1. V. I. Lenin, "Poln. sobr. soch." [Complete Works], Vol 35, p 281.

2. See PLANOVOYE KHOZYAYSTVO, No 1, 1987, pp 81-87.

3. "Materialy XIX Vsesoyuznoy konferentsii Kommunisticheskoy partii Sovetskogo Soyuza" [Materials on the 19th All-Union Conference of the CPSU], Moscow, Politizdat, 1988, p 20.

4. K. Marx and F. Engels, "Soch." [Works], Vol 26, Part 2, p 123.

5. A. Deryabin's article cited an example in which an increase in prices for meat in 1962 even led to a decline in the sale of furniture.

6. K. Marx and F. Engels, op. cit., Vol 21, p 26.

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## REGIONAL DEVELOPMENT

### Officials Discuss Cause, Effect of Strikes on AzSSR Economy

18300301a Baku BAKINSKIY RABOCHIY in Russian  
25 Dec 88 p 2

[Azerinform briefing: ["What Is the Price of Absenteeism From Work and For Whom Is This Advantageous?"]

[Text] The time has come to soberly try to understand the events; to overcome the political, moral, and of course, the economic costs. The full-fledged work of the industrial enterprises, construction, transportation and educational institutions testify to the stabilization of circumstances in the republic, to people's recovery of sight. It is necessary to cover the ground lost due to work stoppages, not to bring in its cooperators, to deal with unpleasant circumstances. The question arises all the more frequently: to whom was this advantageous, who stood behind the instigators and provocateurs?

The answers to these questions were given during the course of a briefing given by Azerinform, in which leaders from a number of ministries and departments, and representatives of the mass information media participated.

#### M. G. Gadzhiyev, deputy chairman of AzSSR Goskomstat:

"The language of figures is sometimes more eloquent than that of words. Thus, due to the massive work stoppages the republic's industry under-produced by more than 170 million rubles, with Baku accounting for over 100 million rubles of that sum. As a result, the growth in production over 11 months fell in comparison to the corresponding period of last year by 1.5 percent. The level of fulfillment of contractual responsibilities declined sharply. In November alone, the volume of undelivered goods comprised 119 million rubles.

"Not only the republic's industry, but its auto transportation and construction organizations found themselves in difficult situations, under-utilizing in November 62 million rubles on centralized capital investments, comprising 35 percent of the allotted limit.

"The situation in Nagorno-Karabakh should be addressed. Despite the fact the authorities have appropriated significant funds for its socio-economic development, since the events started not a single square meter

of living space has been built, not a single school or other project of social and cultural purpose. In addition, for 11 months the shortfall in industrial output was 114.4 million rubles, and 29.2 million rubles in November alone."

**A. Sh. Gadzhiyev, deputy chairman, AzSSR Gosplan:**

"The strikes at various industrial enterprises show their serious effects in the republic's economy. It could be said that a significant portion of the gains accumulated in the previous months of the year were lost.

"At this time, measures are being taken to make up deficiencies. Specifically, according to the decisions of the labor collectives, many enterprises have lengthened work time, functioning on Saturdays and Sundays. Calculations show that considering maximal utilization of all reserves, the rate of growth of the republic's industrial output in annual summary is expected to be on the level of 3.5 percent, instead of 4.3 percent.

"However, the other losses of a moral and psychological nature must not be forgotten; they can have repercussions in our plans for the future. The republic's enterprises are the partners of many suppliers and consumers of all the regions of the country, and a break in accepted responsibilities naturally lowers the level of trust in them. Making up this deficit is much more difficult than increasing production. Under the new conditions of economics, it is essential to support the honor of the brand, otherwise, a reliable partner will be lost.

"Simultaneously, the program of development of those branches of industry in which the union ministries invest funds are being undermined, after all, no one would want to collaborate with an unreliable partner. Poor work, failure to fulfill the plan and contractual responsibilities disturb long-term prospects. This is what irresponsible people have done."

**C. G. Kerimova, AzSSR deputy minister of light industry:**

"The irresponsible elements' and anti-perestroyka forces' call to strikes, which influenced a portion of the laborers in our branch, led to 14 enterprises standing idle in a 9-day period. Among these were the V.I. Lenin Textile complex, the N. Narmanov Knitting Association, the Ali Bayramov Worsted Complex and Sewing Association, the Baku Fine Cloth Complex, and a number of shoe factories. Their share in overall volume of released production is 34 percent.

"Additionally, other enterprises functioned only partially for 2 or 3 days. And it's known that over several months, the labor collectives of NKAO did not go to work. It should be said that the stoppages for days on end reflected poorly upon our branch, since the unfulfilled heavy freight plans of that same silk complex "hang" on the economy of all the republic's light industrial enterprises.

"As a result, production of goods in November alone was underdeveloped by 36 million rubles. For 4 days in December, this figure was 19 million rubles. It's not hard to imagine what kind of deficit the branch's laborers will have to finish out the year.

"It should be noted that when the time came for a sober understanding of the events, the workers of the branch's enterprises set out to eliminate the lag which had been allowed, caused by rallies and work stoppages: they decided to work on days off and to extend their work shifts. The measures taken allowed the situation to be improved, but the debt to the state remains high. People are missing the chance to win awards; deadlines for fulfilling plans of social development, including housing construction, are being pushed back.

"The situation is also complicated by the Armenian-nationality specialists and workers giving notice. Administration and social organization representatives are sending telegrams and aiming for their return to their previous work places. As a result of the work being done, some of them have returned once again to their home enterprises."

**F. N. Ismaylov, deputy director of the "Azneftemash" scientific production association:**

"First of all, something about the consequences of the rallies on the square, which were of no matter to the emissaries of criminal clans stirring up nationalistic passions, clans who are interconnected by knots of mutual support and profit. After all, the workers who gave in to their instigation did both moral and material damage. In the enterprises of our society alone, the average wage fell by 25-35 percent. As a result of undersupply of products and underfulfillment of the production plan, we have missed a significant quantity of monetary funds. This hits the workers of all collectives right in the wallet. The branch, after all, has completely switched over to khozraschet and self-financing. The unreceived profit means that almost half a million rubles will not go into the fund for economic stimulation, and the resources for capital construction will be cut by one and one-half million rubles, as well as expansion, reconstruction and technological re-tooling, and the allocation for deciding social problems will be reduced.

"In the meantime, the grabbers and the speculators, all sorts of low life, inflame national enmity, using this to cover up, like a blind, their dirty deeds and designs, literally and figuratively making their living on the people's misfortune.

"At the council of association directors, in order to overcome the allowed lag, measures were examined for stabilization of our enterprises' work. It was decided to switch them over to a 12-hour work regimen, and declare Saturday and Sunday to be work days, and to implement supplementary assignments to rectify the lag which had been created."

**G. M. Mamedov, chairman of the directorate of the AzSSR republic bank of USSR Gosbank:**

"The events in and around NKAO reflect very negatively on the banking operations connected with providing for branches of the republic's economy. It's enough to say that at times, the collection at trade enterprises, everyday service, became complicated. On certain days in November and the beginning of December, we were missing count of about 1 million rubles every 24 hour period. At the same time, in NKAO, in 11 months of this year, 31 million rubles didn't enter into the cash collection. All this, of course, created certain difficulties while paying out salaries to workers, and provoked their righteous criticism. This problem was resolved only with the assistance of USSR Gosbank.

"However, the release of money in November, in comparison with the same period in the previous year, grew by more than 10 percent. The sum of overdue payments has increased, also. The growth of liabilities by overdue loans and suppliers' accounts alone was 100 million rubles. Naturally, the enterprises' idling aggravated the financial situation for many of them, and finally will negatively affect the family budget of every worker."

The opinion was expressed by those attending the briefing that the goal presented by the anti-perestroika forces at unsanctioned rallies is fairly obvious: not to allow long-awaited changes in the life of the people, thus provoking the people's dissatisfaction, diverting their attention and efforts from the unmasking of the underground realm of political intrigue. However, no vain attempts of corrupt clans are capable of stopping the revolutionary process of perestroika of our society, the renewal of all aspects of life. Those who pushed the people to reckless actions and ignited inter-ethnic discord should be unmasked and called to account.

### **Moldavian Standard of Living, Development Remain Low**

*18200120 Kishinev SOVETSKAYA MOLDAVIYA in Russian 10 Nov 88 p 2*

[Article by Yu. Safronov, laboratory chief, Institute of Economics, Moldavian SSR Academy of Sciences, candidate of economic sciences, in the column: "Public Opinion Tribune": "How Are You Getting Along, Citizen?"; first two paragraphs are SOVETSKAYA MOLDAVIYA introduction]

[Text] The country's perestroika initiated by the April (1985) Plenum of the CPSU Central Committee has elicited wide interest on the part of people in many problems relating to the economic, social, political, and other aspects of society's life.

To promote glasnost and strengthen direct and indirect ties between party, soviet, and economic organs on the one hand and society on the other, the Center for the Study of Public Opinion has been organized at the

Moldavian CP Central Committee. It includes representatives of interested organizations and institutions, including the Academy of Sciences of the Moldavian SSR. This article is the result of a study conducted by the Center relative to one of the problems that is of great concern to our society.

The problem mentioned above is that of standard of living, or, in the wider sense, the people's well-being. The heightened interest in problems relating to standard of living, how we live, what we consume and how much, follows quite naturally from the substantial reorientation of the country's economy toward high-priority resolution of social development tasks. Widely known is Lenin's position on satisfaction of the total needs and all-round development of all members of society as the highest goal of socialist production. The foregoing has served as a basis of effecting in the country—and in the Moldavian SSR in particular—a social program which has resulted in definite attainments in standard of living.

It apparently is necessary to note here that economists usually use the term "standard of living" in reference to the attained level of consumption of material and spiritual items and services which reflects the degree of satisfaction of reasonable needs of members of society. This concept is synthetic, complex, and manysided, with primary importance attached to satisfaction of material needs: food, housing, clothing, health maintenance. The term "spiritual needs" pertains to education and cultural development. Spiritual needs are closely related to social needs: participation in labor and management. Although all these factors are of equal importance, we must not permit the life of our society to be governed only by aspirations of satisfying material wants, with so-called "acquisitiveness" determining the behavioral norm of people and constituting the sum total of their aspirations.

We know to what the above leads. There are unfortunately even in our republic examples of people—even highly placed persons at that—who have committed criminal acts for the sake of their own enrichment and acquisition of material things. This however is not the topic of our discussion.

Our discussion will be limited to an examination of certain indices characterizing the standard of living of the republic's people, utilizing in this case data furnished by the MSSR Goskomstat [State Committee for Statistics]. According to the data, the republic's national income used for consumption and accumulation—the primary source of growth in the people's well-being—increased by a factor of two from 1970 to 1986; real personal income rose by a factor of 1.9, with 2.1 for kolkhoz workers and 1.7 for blue collar and white collar workers. Wages and salaries—the basis of personal income—also showed an increase. Thus, wages and salaries of republic blue collar and white collar workers in 1987 amounted to 166.7 rubles versus 102.8 rubles for 1970. Kolkhoz worker wage was 156.6 rubles. A much

greater rate of increase is seen in per capita payments and benefits made out of public consumption funds—from 198 rubles in 1970 to 500 rubles in 1987.

These years also saw changes in per capita consumption of food products and consumer goods. Consumption of meat increased by a factor of 1.6, amounting to 56 kg; milk and dairy products, 1.7 (293 kg); vegetables and melon crops, 1.6 (134 kg); fruits, berries, and grapes, 1.3 (82 kg), etc. The diet improved. We will discuss this further below.

Growth was also seen in consumption of nonfood items, and there was improvement in availability of durable goods in the republic. Thus, in the indicated period the volume of services rendered the public increased more than threefold, with a greater variety of services available.

However, with due regard for what has been attained, we must admit that the standard of living in the republic is still low, in spite of the successes. This is true not only with respect to the union average, but also relative to the standard recommended for our republic in the reasonable consumer budget (RPB), which includes all material and spiritual items and services required by a person. The reasonable consumer budget has been devised by scientists for application (as an average) to the population as a whole and to various population groups (youth, the elderly, intellectual workers, physical laborers, etc.), worked out for territories and regions with consideration of environmental, climatic, and other factors.

With modern concepts relative to volumes and structure of personal consumption as a basis, the RPB in our country computed as a per capita average has been determined to be 2,600 to 2,700 rubles a year, or 220 to 225 rubles a month. For the Moldavian SSR the average RPB amounts to something on the level of 2,100 to 2,200 rubles a year, or 175 to 185 rubles a month.

According to data supplied by budget surveys conducted by the MSSR Goskomstat, the share of families with a total per capita income of 100 rubles and greater for blue collar and white collar workers in the republic amounted to 75.6 percent, while for kolkhoz workers this is 66.1 percent. This makes it possible to assume that somewhat more than half of the republic's population has an income exceeding by a small amount 50 percent of the recommended figure, while about a third is at the 35 to 40 percent level of the recommended income. Therefore, the vast majority of the republic's population earns an income which is far below that required for reasonable consumption of material and spiritual items. That is, it is a long way to the maximum, so to speak. But what about the minimum? According to available estimates, the country's minimum living wage should lie somewhere in the range of 65 to 75 rubles, i.e., about 70 rubles a month. For the republic it apparently is somewhat less, but not by much. In this connection, it is necessary to

take into account that the average pension in the republic pays slightly more than 65 rubles, with the number of persons living on old-age pensions exceeding 500,000, out of a total of more than 700,000. In a considerable share of families, especially those living in rural areas, per capita income is even less than 50 rubles; they receive aid for dependent children.

The difference between incomes should be lessened by public consumption funds. Our research however indicates that they often do not smooth out the difference. In families with many children, especially where income is low, a considerable part of the public funds is spent on education and medical care. In families that are childless or have few children, the funds are used for rest or pursuit of culture.

Thus, even official data indicate the magnitude of the personal income situation as the basic determinant of the standard of living. In our survey of residents of Dondyushanskiy, Oknitskiy, Rybnitskiy, and Sorokskiy rayons, we ascertained that only 20 percent of people surveyed were satisfied with their wages; 35.1 percent were not entirely satisfied, while 37.3 percent were not satisfied at all, i.e., only one in five persons expressed satisfaction with his wages. This is to be expected, since only 10.2 percent of respondents earn more than 180 rubles a month, and 9 percent receive from 151 to 180 rubles. According to our survey data, the average monthly pay for 42 percent of respondents does not exceed 100 rubles. Bear in mind that this is the income of people who are working; divide it by the number of family members and you arrive at a considerably smaller figure.

We must realize that the nominal personal income merely provides the possibility of consumption, with the magnitude and structure of the latter determined by consumer goods availability on the one hand, and the prices of these goods on the other. As we know, the former and latter are such that they do not permit attaining the necessary consumption level by the majority of Moldavia's population. Thus, the above-mentioned absolute amounts of per capita consumption of meat, milk, fruits and berries, and vegetables constitute 73, 92, 65.6, and 82.2 percent, respectively, of the existing accepted standard. Considerably below the standards are consumption of nonfood items and availability of durable goods. Thus, for example, availability in the republic of refrigerators is 86 percent; washing machines, 76 percent; television sets, 66 percent; sewing machines, 58 percent, etc. In this connection, the continuing shortages of many goods and services of the last few years have been accompanied by increases in the prices of these items. This is something we must admit straightaway. This in spite of the fact that for a long time the Goskomstats of the USSR and MSSR did not take official notice of retail price increases, somehow reasoning either that their index was not rising or, if it were, at such a slow rate that the people's well-being would not be affected.



In addition, many of the country's researchers and economists have some justification when they state that retail prices in the country have risen by a factor of 1.5 to 2 in 25 years. Kolkhoz market price rises have been even steeper. It is natural that the price increases have also affected Moldavia. Prices are also going up on imports and goods brought in from other republics. Likewise, prices are on the rise for goods and products produced in Moldavia. To arrive at high financial indices, primarily profits, many enterprises are raising the prices of their products, basing this action on the low profitability associated with the consumer goods they produce. They are attempting to represent their high actual expenditures as socially necessary expenses, apparently forgetting that they should improve the financial indices not at the expense of the consumer's pocket, but as a result of efficient management, improved production organization, and better production efficiency.

Such price increases lead to fleecing of the populace. They do not in the least bring about improved well-being, since, on top of everything else, production of many goods not only is not increasing, but actually shows decreases at times. This reduction is noticeable in the case of inexpensive goods. There is going on in the republic and in the country as a whole an "erosion of inexpensive goods" as well as a deterioration in consumer qualities of many goods, which is equivalent to raising the prices. The former is more typical of light industry, the latter of the food industry.

It was stated above that the republic's per capita income is essentially low, while that of most pensioners, students, and families having many children either borders on the subsistence minimum or falls below it. For this reason, what is needed is a pricing policy which would assure an adequate consumption level for all population groups, since, for example, there is the question: Who are the customers for women's boots produced by the Zorile association costing 105 rubles, Dubbossary jackets at 140 rubles, and Beltsy coats at 500 rubles?

The above should be answered by the republic Goskomtsen, which has authority to control prices of most consumer goods produced in the republic and set rates of many types of essential services. We all know that in the last few years the prices of many of these services have also risen steeply with its "help."

Many complaints have been lodged against the republic Gosagroprom, which quietly raises prices of certain products and has started to sell many items at a stable price regardless of condition or quality. The Moldsovprom [Moldavian Trade Union Council] has kept itself aloof from price control. It is the organization that should be standing guard over the interests of workers and not permit reduction in their living standard.

The CPSU Central Committee and USSR Council of Ministers have already taken certain steps to check these negative trends, but actual implementation of decisions

will depend upon the promptness and decisiveness of local organs of authority, which should not hesitate to apply the party's guidelines.

In this light, the manner in which commerce is organized should undergo definite improvement, since it makes available to the consumer up to 90 percent of the goods he uses. All the more since other than industry and agriculture it is the commercial sector which is the cause of shortages, enormously long waiting lines, and large time losses on the part of customers. It functions especially poorly in rural areas, where the actual goods turnover is a third of that in the city. Rural residents must travel to the city to shop, often for essential goods. Thus, the above-mentioned sociological survey indicated that 4.8 percent of people surveyed travel to the rayon center to shop two or three times a week; 29 percent several times a month; and 54.3 percent several times a year. In this connection, many trips are made during working hours, which also impacts directly on the economy. There obviously is a reason why only 9.4 percent of respondents gave rural commerce a good rating, with 37.2 percent rating it satisfactory and 38.2 percent deeming it unsatisfactory.

Commerce is not much better organized in the city. And one must not be deceived into thinking that the goods turnover indices in cities are high, since a considerable part of their growth is due to rural residents; price increases contribute even more significantly to their growth. We unfortunately do not have data on Moldavia, but speaking of the USSR as a whole only 0.7 percent of the growth in goods turnover is attributable to increase in amount of goods, while the remainder is traceable to price rises and other factors. We are of the opinion that the same situation applies to Moldavia. Commerce in general is interested in the more expensive goods, since they facilitate plan accomplishment and diminish the labor requirement. This serves as the basis of a partnership which is extremely undesirable for everyone: Commerce almost always works hand in glove with manufacturers, who set high contract prices on their products, and does very little to effect meaningful improvement in the organization of commerce.

The impression is created that commercial workers often forget that they belong to a sector servicing the populace and that they are working for the latter—not vice-versa. Many salespersons consider the customer merely as a means to plan accomplishment. With such a situation commerce is primarily interested in encouraging shortages and long waiting lines, since this enables some of its workers to profit by their access to goods in short supply. Only gross disregard for the customer can account for selling scarce goods during the last two months. And this during working hours, a time when most people are at work. The same disregard is the cause of the inconvenient operating hours of commercial enterprises, the failure to keep open all the cash registers in department stores, the absence of electronic scales, and many other inconveniences. Commercial organizers do have their



problems, of course, but you will agree that our listing them here would not benefit the customer.

Thus, the republic continues to be faced with the acute problem of effecting a balance between income and goods availability. Nevertheless, the situation requires action, primarily of an economic nature, to effect substantial improvement in goods availability. Otherwise we can expect unfavorable consequences of a socio-political as well as economic nature. There is a definite relationship between balancing supply and demand on the one hand and public opinion relative to the state of the general socio-economic situation on the other. The survey of which we spoke above disclosed that 11.6 percent of respondents feel that they are getting along well. The vast majority feel that their lifestyle is merely satisfactory, while 14.8 percent give a response of unsatisfactory. These responses are colored by many factors, of course, but the small number of persons claiming that they are getting along well versus the considerable amount of ratings at the merely satisfactory level suggests an association with the standard of living. We must come to terms with this, since, as Academician Yu. Bromley wrote in the 13 February 1987 issue of PRAVDA, "We must also keep in mind that dissatisfactions people may harbor concerning everyday life may be reflected in the area of national relations."

## MODELING, ECONOMETRICS, COMPUTERIZATION

### Official Reporting of Statistics Distorts Perception of Economy

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[Article by Candidate of Economic Sciences A.N. Illarionov of Leningrad State University under the rubric "Problems of the 12th Five-Year Plan": "Where Are We?"]

[Text] *The first obligation of those who want to find "paths to human happiness" is not to fool themselves, to have the boldness to recognize candidly what is.—V.I. Lenin*

Movement without constant orientation in time and space is at least foolhardy, and is ultimately dangerous. He who fails to observe this rule risks getting lost. In economic movement, historical and international comparisons perform the functions of a distinctive sort of compass. They make it possible to determine the country's position relative to the level of economic development of other states, forecast its future, avoid the errors and failures of one's predecessors and thereby accelerate the rate of one's own socio-economic development.

The lack of high-quality, reliable, timely and accessible economic comparisons makes economic illness more acute, leads to an ignorance of worldwide development trends and disorients national economic strategy, entailing enormous losses, crises and a slowdown in socio-economic progress.

The magnitude of economic might and level of economic development serve as most important reference points of economic development in macroeconomic comparisons. The former is usually described using national income and end product. End product is reflected in international statistics, as a rule, in the form of the gross domestic product (GDP) and gross national product (GNP). The GNP includes the value of goods and services consumed by the population, state procurements, capital investment and the net balance of payments. The level of economic development in its most general form is defined as the ratio of economic might to the amount of population.

We will attempt to compare the contemporary state of the economy of the USSR with prior periods in its development and with the levels of development of other countries. For this we turn to our official statistics.

### The Paradoxes of Official Statistics

We do not find national income in comparable prices in statistical anthologies. It is cited exclusively in actually prevailing prices. And since price indices in our country (practically the only country in the world) are seemingly a state secret, measuring national income in current prices is the same as measuring lengths with a rubber tape-measure. As a result, it is impossible in practice to analyze the development of the economy of the USSR using official statistical data.

How can the constantly growing demand for historical comparisons be satisfied? Our statistics use the indicator "growth rate" for this. With the aid of this resourceful invention, we report only a derivative and relative indicator—the growth rate—instead of publishing a time series of the primary indicator—the absolute magnitude of national income or end product in comparable prices (as is done in all world statistics). Jealously hiding the details of the technique for calculating it therein, it is impossible for our statisticians who are striving to accomplish the chief goal of verifying the correspondence of official computations to the actual facts. Their truthfulness remains to be proved. Faith engenders myths. One of the myths that is most disorienting to public opinion—the myth of the high growth rate of the Soviet economy—owes its widespread dissemination to it.

The statistical anthology "The National Economy of the USSR" reports our phenomenal success: national income produced over 1913-86 increased by 94 times, and industrial output by 205 times.<sup>1</sup> Dividing these values by the population growth rate over that same

period—1.75 times (from 159.2 million to 278.8 million people)<sup>2</sup>—we obtain the per-capita growth rate of these indicators—53.7 and 117 respectively. It is not difficult to correlate these figures both with the experience of other countries and with the life experience of the third generation of Soviet people. We really have come to live better than in the pre-revolutionary and pre-war periods. But how plausible is such a considerable growth in the rate of production of national income and industrial output per capita? If this were so, per-capita national income in our country would be 2.8 times higher than the United States and triple that of Japan and West Germany today.<sup>3</sup>

At the same time as the social productivity of labor rose by 4.7 times in the FRG, 5.2 times in the United States and 14.8 times in Japan,<sup>4</sup> domestic statistics would have the public believe that a 64-fold growth in it has been observed in the USSR.<sup>5</sup>

According to the calculations of the author,<sup>6</sup> the national income of the USSR increased by a little over 8 times over 1913-86, while per-capita national income grew by roughly 4.6 times. These indicators are extremely high. There are few countries that can be found in the world where the rate would surpass ours over this period. But they are not the fantastic values reported by "The National Economy of the USSR" nonetheless.

As for international comparisons of national income, its would not be fair to assert that Goskomstat [State Statistical Committee] does not report them. It reports them, but only for the USSR and the United States. **How do matters stand with resolving the task of "catching and passing America"?** We turn to the table "Correlation of the Principal Indicators of Economic Development of the USSR and the United States" ("The National Economy of the USSR over 70 Years," pp 13-14). Unfortunately, it has no absolute indicators, while the relative ones are no less doubtful than those in other tables. Percentage shares are replaced with the words "more," "less," "about" and "roughly," the quantitative definiteness of which is a professional secret of the workers of Goskomstat.

There are other secrets as well. Our central statistical department, for example, has for a span of ten years (1975-84) stubbornly "maintained" an unchanged ratio of the national incomes of the USSR and the United States—67 percent—despite the differing growth rates of this indicator in each country. National income in the USSR increased by 4 percent in 1982 and by 2.9 percent in 1984,<sup>7</sup> while in the United States, according to the official data, it declined by 3 percent in 1984 due to crisis and grew by 7.2 percent in 1984 (a period of upswing).<sup>8</sup> This means that the correlation of the levels of national income in the USSR and the United States should have been equal to 71.9 percent in 1982 and 64.3 percent in 1984 (and not 67 percent for both years at all). The riddles continue to the present day. In 1985 the rates of increase of national income in the USSR and the United

States were close—3.5 and 3.0 percent respectively—although it was nonetheless somewhat higher in the USSR. Goskomstat, however, reduced the correlation to 66 percent for that year. It also preserved this 66 percent in 1986, despite the fact that the gap in the corresponding rates increased: 4.1 percent for the USSR and 2.9 percent in the United States. And Goskomstat cited the figure as 64 percent in 1987, even though the increase in the gross national product in the USSR was 3.3 percent and that of the United States 2.9 percent.

Our Achilles, chasing the American turtle crawling along in front and having almost 1.4 times the speed,<sup>9</sup> not only cannot catch him or at least reduce the gap between them, but rather, despite the manifest laws of everyday life, is falling further and further behind. How he could manage that is known only to Goskomstat. This paradox is turned inside out with the average annual growth rate of agricultural output. Here our Achilles has 1.5 times less speed (USSR—1.5 percent, United States—2.3 percent)<sup>10</sup> and should seemingly lag more and more behind the turtle. But our statistical handbook (p 13) asserts that over the span of 1971-85, the production of agricultural output in the USSR has held steadily at the level of "roughly 85 percent" of the United States.

An analogous absurdity is also observed for other indicators. **How can our statistics have such paradoxes?** Before answering this question, we will have a little elucidation. National income, industrial output, agriculture and other summary indicators, as well as the rates of their change, are measured in actually prevailing (current) and in comparable (constant) prices. The difference between the values obtained by the two methods comprises the change in prices over the corresponding period. Insofar as prices have, as a rule, a general tendency to rise, the growth rate of volume indicators in current prices appreciably outstrips the growth rate in comparable prices. Real growth in the production of material goods and services is thus measured only in constant prices, since the value of economic growth in current prices contains the considerable contribution of the rise in prices themselves. In cases where the volume of production does not increase physically at all, the growth in summary indicators in current prices signifies price increases exclusively.

It would seem that our official statistics measures real growth in production namely in constant prices. This was stated directly in the anniversary statistical reference (p 712). Page 122 of it cites national income in **actually prevailing prices**: 289.9 billion rubles in 1970 and 587.4 billion in 1986. We divide the second number by the first and obtain a growth rate of 202.6 percent. Roughly the same number (202 percent) is presented on page 123 of the book. But pay attention—the discussion here concerns the growth rate of national income over that period **in comparable prices**.

Is it possible that the growth rate of this indicator proved to be the same in constant and current prices? It is, but

only in a case where the overall wholesale price index for goods and services remained stable for the last 17 years. The statistics want us to believe, in other words, that the wholesale price index for 1970 is equal to that of 1986, that there was not only no hidden constant growth in prices for new output, but that there were not even any of the repeated official wholesale price increases in industry, construction or procurement prices in agriculture.

The fact that the conversion of current prices into constant ones is not accidental and not isolated is proved by the data on page 126 describing the growth of industrial output: its volume was 374.3 billion rubles in current prices in 1970 and 836.1 billion rubles in 1986, i.e. the growth in current prices was 223.4 percent. The same place gives the growth rate of industrial production in comparable prices as 224 percent. Thus **current prices are transformed into constant ones, while the growth rate of prices is transformed into the growth rate of national income and industrial output!** It did not constitute a great labor to increase the amount of national income by 90 times, and that of industrial output 205 times, with the aid of such "scientific" achievements. The unreliability of absolute magnitudes and growth rates of summary indicators as reported in our official statistics forces us to resort to alternative sources of statistical information.

#### **Economic Might (Using the Methodology of the National Calculations of the UN)**

It is well known that the USSR is the **second** most powerful economic power of the world. But both the specialist and the literate person is interested in a quantitative correlation between us and those that are ahead and those that are behind.

The comparison between the USSR and the United States presented in the statistical handbook "The National Economy of the USSR," as has already been mentioned, is unacceptable. The point is that in measuring the economic might of the two countries, the national income of the United States, in the opinion of Goskomstat, is inflated by some 30-40 percent and is recalculated according to the methodology of our official statistics, as a result of which "the sum of repeat counting of income in the services sphere is eliminated for the United States."<sup>11</sup> Consequently, **American national income is diminished, and the Soviet national income correspondingly increased** (such an operation strongly reduces the trustworthiness of the results obtained). The values describing the correlation of the two powers in economic might do not seem very optimistic for the Soviet economy anyway.

Calculations performed according to a common methodology (the UN method for national calculations) shows that the GNP of the United States was 3.82 trillion dollars in 1987 (in 1982 prices), while the GNP of the USSR was 1.944 trillion, or 50.9 percent of the American level. This ratio was more favorable to the USSR in 1975: the U.S. GNP was 2.574 trillion dollars and the USSR's was 1.476

trillion dollars, or 57.3 percent of the level of the United States.<sup>12</sup> Over these years, the American economy was twice thrown back by economic crises, but the aggregate growth of the GNP of the United States, with a regard for the crises, recessions and upswings, still proved to be higher than our "crisis-free" development. The average annual rate of increase in the U.S. GNP over 1976-87 (2.9 percent) was higher than the analogous indicator for the USSR (2.3 percent).<sup>13</sup> Lagging in absolute magnitude of GNP, we also still have slower growth rates besides. But even these rates were achieved thanks to the effects of competitive market factors independent of us and not through our own efforts, first and foremost high prices for energy raw materials in world markets. "If we cleanse the economic growth indicators of the influence of these factors," said M.S. Gorbachev at the February (1988) Plenum of the CPSU Central Committee, "it obtains that over the span of practically four five-year plans we have not had any increase in the absolute growth of national income, and in the 1980s it even began to decline."<sup>14</sup> If we believe the data of our official statistics, the national income of the USSR "just" tripled over 1965-87.<sup>15</sup>

**Thus, in reporting mythical growth rates, the central statistical department is continuing to conceal the truth of the stagnation of the domestic economy.**

The **third** economic power in the world is Japan. Its GNP was 35 percent of the USSR level in 1950, 52 percent in 1975 and 67 percent in 1987.<sup>16</sup> And even though somewhat of a decline in the rate of development of the Japanese economy is forecast for the future, its reserves are far from exhausted, and its scale is even today wholly comparable with the scale of the Soviet economy.

Profound economic reform has been underway in China since 1979 and has considerably accelerated its development. China has moved into first place in the world in the production of grain, cotton, cotton fabric, cement and coal, into second in the production of meat, potatoes and televisions, into third in the production of mineral fertilizers, sulfuric acid, woolen fabric and radios and in fishing, into fourth in the smelting of steel and the production of chemical fibers and silk fabric, into fifth in the production of electric power and into sixth in the extraction of petroleum and the production of sugar.<sup>17</sup> The average annual growth rate of the GNP of China was 6.7 percent in 1979-80, 9.5 percent in 1981-85, 7.0 percent in 1986 and 8.8 percent in 1987,<sup>18</sup> as a result of which it has doubled over the last 9 years.<sup>19</sup> Nine years ago the GNP of China was about 24 percent of the Soviet GNP (author's calculations using interpolation), while it was 40 percent in 1985,<sup>20</sup> 47 percent in 1986<sup>21</sup> and exceeded 50 percent of the USSR GNP in 1987 and was equal to roughly 980 billion dollars (in 1982 prices).<sup>22</sup> Such dimensions of end product make it possible to classify China as the **fourth** economic power of the world. If the dynamic development rate of China is preserved into the next decade (as it will be, judging by everything), China will outstrip Japan in 5-7 years and the USSR in the 21st century.

The "newly industrialized countries"—Brazil, Mexico, India, South Korea and Taiwan among others—have moved into the world economic arena in recent years. It has become more crowded on the economic stage and competition in world markets has become stiffer. Brazil has built the largest hydro-electric power plant in the world, double the capacity of the Sayano-Shushenskaya Plant, and is building a space center. The "four little Asian dragons" have demonstrated phenomenal growth rates in the last two decades: the GNP of Singapore grew by 8.3 percent, Taiwan by 10.7 percent, South Korea by 12.2 percent and Hong Kong by 13.7 percent in 1987 alone.<sup>23</sup> Even the "old" European powers do not intend to give way. Over the last four years the growth rate of the gross domestic product of Western Europe has been 2.4 percent.<sup>24</sup>

The economy of the Soviet Union is seemingly at a standstill against the background of the dynamic development of the surrounding world. Being in a kind of state of lethargy, we are ceding one position after another, lagging more and more behind the principal economic rivals. Out of the five largest economic centers of the world—the United States, the EEC, the USSR, Japan and China—our country has the lowest growth rates, in actuality close to zero. The dramatic situation we are in is rife with catastrophic consequences. Due to many years of systematic falsification of statistical information, however, the seriousness of the situation has not been fully realized by the broad public as before.

#### The Level of Economic Development

Whereas in magnitude of economic might the USSR still occupies the second spot nonetheless, the situation is much more complicated with the level of economic development. The magnitude of national income per capita as calculated by the author from official data is roughly equal to 57 percent of the American level. This number, however, as well as the absolute dimensions of national income, does not correspond to reality.

According to the author's calculations, the American per-capita GNP was 15,700 dollars in 1987 (in 1982 prices), while the analogous figure for the USSR was 6,900 dollars, or 44 percent of the level in the United States.<sup>25</sup> American statisticians A. Heston and P. Summers, as well as A.V. Telyukov, cite 47 percent for 1985.<sup>26</sup>

The production of certain types of output per capita, as reported in "The National Economy over 70 Years" (pp 674-675), reached these corresponding levels to those in the United States in 1986: electric power 51 percent, sulfuric acid 66, caustic soda 29, chemical fibers 33, synthetic resins and plastics 18, grains and cereal crops 57 and meat 55 percent. We surpass the average American per-capita level of production, in particular, for steel (185 percent), cement (145), shoes (242), potatoes (464), milk (134) and animal fats (254 percent). But this lead does not testify to a higher level of economic development in the USSR.

The enhanced per-capita production of steel and cement, on the contrary, sooner testifies to the resource-intensive and extensive development of our economy, the enhanced production and hence consumption of potatoes and flour products to inefficient and unhealthy eating patterns, and the over-production of shoes to their poor quality. The difference in the production and consumption of milk and fats reflects specific national and historical features in consumer priorities. In reality, the caloric levels of daily food consumption per capita in the two countries are almost identical—3,647 calories in the United States and 3,426 in the USSR.<sup>27</sup> Eating patterns, however, have a marked difference: some 2,367 calories of the daily ration in the United States and 2,253 in the USSR are provided from vegetable origins, and 1,280 calories in the United States and 883 in the USSR from animal products.<sup>28</sup> Annual per-capita consumption of meat and meat products (without fat) is 57.3 kg [kilograms] in the USSR and 114.6 kg in the United States, and that of cheese is 5.6 and 10.2 kg respectively.<sup>29</sup> The ratios for fruits and berries are even more unfavorable for us.

Broad-scale housing construction is underway in our country. Some 2.1 million apartments were built in 1986, i.e., 75 apartments per 100,000 population compared to 71 apartments in the United States.<sup>30</sup> The average living space of a newly built apartment in the United States herein is equal to 136 square meters, while in the USSR it is from 30.2<sup>31</sup> to 33.2<sup>32</sup> square meters, or 22 percent of the American level. There is 45 square meters of living space per resident in the United States and 15.2 square meters in the USSR.<sup>33</sup>

Data on the per-capita consumption of technically sophisticated products (motor vehicles, televisions, radios) are a quite precise indicator of the level of economic development. There were 69 passenger cars per 1,000 inhabitants of the USSR in 1984 (the average world level is 96). We have been surpassed in this indicator in particular by the United States with 700 per 1,000 inhabitants, Canada with 574, Australia with 557, the FRG with 446, France with 433, Venezuela with 163, Yugoslavia with 150, Hungary with 141, the United Arab Republic with 123, Mexico with 84 and Brazil with 80 cars per 1,000 inhabitants.<sup>34</sup>

In 1985 each thousand inhabitants had televisions of all types as follows: USSR 296, United States 798, Japan 580, Canada 516, Netherlands 462, Iceland 305, Lebanon 300, Spain 270, Israel 259 and Hong Kong 236.<sup>35</sup>

The comparisons of physical indicators, with all of their obviousness, have a material shortcoming—the qualitative differences of the goods being compared. We seemingly equate the quality of the domestic Volga, Zhiguli, Zaporozhets, Elektron, Rubin or Slavutich with the quality of foreign cars—Mercedes, Ford, Toyota—and foreign-brand devices from National, Sony, Panasonic and Grundig. Corrections for quality are doubtless essential for accuracy of comparison.



The lag in agriculture is also of a catastrophic nature. **The pattern of employment in the Soviet economy has more in common with employment patterns in the developing countries than the developed ones.** The agriculture of Japan employs 8.3 percent of the economically active population of the country, that of France 6.7 percent, Denmark 5.9, FRG 5.1, Netherlands 5.0, Sweden 4.7, the United States 3.1 and Great Britain 2.5 percent. In the USSR, according to the data of FAO,<sup>36</sup> it is 17.5 percent, while according to domestic statistics it is as much as 19 percent.<sup>37</sup> And this is without regard for the tens of millions of workers and students who are involved in seasonal work year-round!

The average annual grain yields for 1983-85 were 42.3 quintals/hectare [q/ha] in the United States, 55.8 in Japan, 50.5 in the FRG, 55.5 in France, 58.1 in Great Britain and 65.5 q/ha in the Netherlands. The Soviet yield over those years of 15.6 q/ha is 90th of the 109 countries noted in the FAO statistics. This is not only lower than the average world level (24.4 q/ha) and the average level for all developing countries (21.5 q/ha), but is even lower than the grain yields in Turkey, Pakistan, Saudi Arabia, South Yemen, Bangladesh, Nepal, Laos, Vietnam, Burma, Malaysia, Indonesia, Thailand, Madagascar, Zambia, Brazil, Mexico, Chile, Columbia and Nicaragua.<sup>38</sup>

We are 71st among 84 countries engaged in potato cultivation in average annual potato yield (120 q/ha in 1983-85), lagging both average world yields (147 q/ha) and the average yields of the developing countries.<sup>39</sup> A similar picture is also observed for other food and commercial crops. The situation is better in animal husbandry, but we trail the leading countries by several times in that realm as well. Labor productivity in agriculture here as a result, according to the calculations of B.M. Bolotin, was just 10.1 percent of the American level (in industry, it was 44.7 percent).<sup>40</sup>

**Our agriculture, hobbled by bureaucratic ways, being destroyed by social experiments counter to nature and having suffered agonizingly for decades, has fallen into a state of complete paralysis.** World agricultural production worldwide grew by 30.6 percent over 1974-85, including 27 percent in the United States, 39 in Canada, 46 in Brazil, 45 in India, 52 in Indonesia, 58 in China, 67 in Burma, 142 in Saudi Arabia and just 11.6 percent in the USSR; per-capita production of agricultural output increased by 8 percent worldwide, with 14 percent in the United States, the FRG and Brazil, 19 in India, 23 in Canada and just 1.3 percent in the USSR; per-capita production of animal-husbandry products grew by 10 percent in Mexico, 11 in France, 18 in the FRG, 34 in India, 87 in China and just 5.9 percent in the USSR.<sup>41</sup> Such a state of our agriculture makes it impossible to classify the USSR as a highly developed country.

We lag in another area as well—information support. The slogan "Knowledge is power" has acquired an obvious palpability today. Information of various types

and its completeness, trustworthiness, speed of dissemination and scope of consumption are obligatory conditions of contemporary social development, efficient catalysts for its acceleration and radical incentives for raising the "quality of growth." The information explosion of recent decades has led to the current boom in the information-science industry and the appearance of fundamentally different means of transmitting knowledge. The consumption of the traditionally principal material bearer of information (paper of all types), however, has continued to grow and was an average of 16.4 kg per capita worldwide in 1984, including 56 kg in France, 60 in Japan, 77 in Singapore, 88 in the FRG, 97 in Canada, 116 in Sweden, 126 in the United States, 37 in Hong Kong, 31 in Israel, 16 in South Korea, 13 in Mexico and 11 kg in Chile, while in the USSR—"the biggest reading country in the world"—only 9.7 kg of paper per capita were consumed.<sup>42</sup>

One of the most important means of mass communications is the telephone network. The extent of its dissemination typifies the level of economic development of a country and the dynamism and efficiency of the application of its intellectual potential. The USSR had 98 telephones per 1,000 inhabitants in 1984, while Sweden had 890, Hong Kong 403, Singapore 394, Puerto Rico 203, Portugal 173, South Korea 173, Saudi Arabia 146, South Africa 138, Hungary 134, Yugoslavia 132, Uruguay 113, Poland 109, Argentina 104, Mexico 91, Brazil 80 and Malaysia 75.<sup>43</sup>

A computer boom is being observed around the world in recent years. Specialists describe the situation in this area as nothing other than a tragedy in our country. According to the calculations of F. Shirokov, today's level of computer production in the USSR (total memory, circulation of high-speed machines etc.) fluctuates between 0.1 and 1 percent of the American level.<sup>44</sup>

As for new domestic engineering, there is sometimes simply nothing to compare. They have replaced several generations of video apparatus in the United States, Japan and Western Europe, and in 1986 some 45 percent of American families had their own video tape recorders,<sup>45</sup> while here they still appear as the rarest of luxury items.

It should be added to the aforementioned that a cardinal structural restructuring of the world economy has transpired over the last 10-15 years that is bringing entire regions of the planet to a completely new stage of economic and social development typified by the unprecedented dissemination of microelectronics, biotechnology, the mass application of new materials and the like. Reducing to a minimum, and in a number of cases even completely stopping, materials- and energy-intensive "dirty" types of production on their own territory, the developed capitalist countries are concentrating their efforts in the areas of high technology, the production of scientifically sophisticated products and the rendering of non-traditional types of services.



Up until recently, while lagging the leading countries in the level of development of the traditional sectors, we were nonetheless at the same stage of economic, scientific and technical development, albeit at different ends of it. Today we face the distinct prospect of being at different stages of social progress than the developed countries with all of the inevitable consequences.

Individual indicators of per-capita consumption of individual goods and services and indicators of development of individual sectors are important descriptors of the level of economic development, but they do not provide a complete representation of the overall level of economic and social development. This task is performed by an integral indicator of the level of economic development—the level of per-capita consumption of material goods and services.

We will look at the dynamics of the per-capita consumption of material goods and services in the USSR as a percentage of the United States (author's calculations): 1960—37, 1965—42, 1970—39, 1975—36, 1980—31 and 1986—30. This trend toward decline is brought about by the stagnant state of the domestic economy and the overall steady growth of the American economy. The USSR is 70th out of the 72 countries in the contemporary world that were researched by the author, surpassing only India and the Bahamas, in the growth rate of this integral indicator of the level of economic development over the last 25 years. Over these years we were overtaken by countries that as late as 1960 had lower levels of economic development than us (Japan, Italy, Spain, Ireland, Bahrain, Qatar, Brunei, Singapore, Hong Kong, Puerto Rico and New Caledonia—about 30 countries in all).

Per-capita GNP production in the USSR is thus 44 percent of the U.S. level, while the per-capita consumption of material goods and services is 30 percent (or 40 percent according to the data of A.V. Teplyukov). What are causes of such a discrepancy in these ratios? First and foremost, in my opinion, they are the lesser overall efficiency of the domestic economy compared to the American one; the fact that the share of consumption of end products in the USSR is lower than in the United States (equal to 73.7 percent here and 86.4 percent in the United States in 1985<sup>46</sup>); the hypertrophied development of the production of capital goods as compared to the production of consumer goods and the corresponding predominance of industrial consumption over personal (Group A goods made up 75.3 percent of the overall volume of industrial output in 1986, and Group B goods were only 24.7 percent); and, the higher share of the GNP for non-productive military spending.

These facts compel us to doubt the widely disseminated stereotypes and myths of the relative level of our economic development. According to that indicator, we are sooner in a group with Spain, Ireland, Venezuela, Greece, Uruguay, Argentina, Portugal, Chile and Brazil, that is, in

the best case a medium-developed country markedly lagging the leading states in many indicators. Even though we are still the second most powerful in economic might.

The work on measuring the actual magnitude of economic potential and the level of economic development of the USSR along with determining the actual rate of our economic growth is in essence just beginning. It requires sweeping research able to answer honestly the question of where we really are.

#### Footnotes

1. "The National Economy of the USSR over 70 Years." Moscow: Finansy i Statistika Publishing House, 1987, pp 7, 17, 430.

2. Ibid., p 373.

3. Calculated from: MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, 1987, No 11, p 150.

4. Calculated from: MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA [MEiMO], 1987, No 12, pp 143-144.

5. "The National Economy of the USSR over 70 Years," p 7.

6. Sources used: Prokopovich S.N. "Voyna i narodnoye khozyaystvo" [War and the National Economy]. Moscow, 1918; Prokopovich S.N. "Narodny dokhod zapadnoevropeyskikh stran" [Popular Income of the Western European Countries]. Moscow, 1930; National Income of the USSR. Its Formation and Accounting. Moscow—Leningrad, 1939; Vaynshteyn A.L. "Narodny dokhod Rossii i SSSR" [Popular Income of Russia and the USSR]. Moscow, 1969; Vaynshteyn A.L. "Narodnoye bogatstvo i narodnokhozyaystvennoye nakopleniye pre-drevolyutsionnoy Rossii" [Popular Wealth and National-Economic Accumulation in Pre-Revolutionary Russia]. Moscow, 1960; Strumilin S.G. "Ocherki sovetskoy ekonomiki. Resursy i perspektivy" [Sketches of the Soviet Economy. Resources and Prospects]. Moscow—Leningrad, 1930; Studenky P. The Income of Nations. NY, 1958; Balroch P. Europe's Gross National Product: 1800-1975 // The Journal of European Economic History, 1976. Fall, vol. 5, N 2, pp 273-341; Statistical Abstract of the U.S. Washington, 1987, p 824 (SAUS); Military Balance. 1984/1985. London, 1984; Military Balance. 1985/1986. London, 1985.

7. "The National Economy of the USSR over 70 Years," p 58.

8. SAUS, p 420.

9. The ratio of the average rate of increase of national income in the USSR in 1976-85 (4.0 percent) to the

analogous indicator for the United States (2.9 percent). See: "The National Economy of the USSR over 70 Years," p 654.

10. Calculated from: "The National Economy of the USSR over 70 Years," p 654.

11. Ibid., pp 729-730.

12. Calculated from: SAUS, p 824.

13. Ibid.

14. PRAVDA, 19 Feb 88.

15. Author's calculations: growth rate of national income over 1965-70 equal to 1.45 (867:597), (See: The USSR in Numbers in 1976, p 35), over 1970-86 equal to 2.01 (17.5:8.7) (See: USSR in Numbers in 1986, p 16), in 1987 equal to 1.023 (PRAVDA, 24 Jan 88);  $1.45 \times 2.01 \times 1.023 = 2.98$  times.

16. SAUS, p 824; MEiMO. 1987, No 11, p 148.

17. "The National Economy of the USSR over 70 Years," pp 661-669.

18. World Economic Survey. NY, 1987, p 130, 157; Time. 28 Dec 87, No 52, p 47.

19. KOMMUNIST. 1988, No 2, p 110. Moreover, the corresponding calculations for the annual growth rate of GNP increase is more than 2 times.

20. Handbook for the International Propagandist. Moscow: Politizdat Publishing House, 1987, p 93.

21. Bolotin B.M. The Soviet Union in the World Economy. MEiMO. 1987, No 11, p 148.

22. Author's calculations with regard for the GNP growth of the PRC of 8.8 percent in 1987 and the amount of the USSR GNP—1.944 trillion dollars.

23. Time. 28 Dec 87, p 47.

24. Perspectives économiques de l'OCDE. 1987, No 42, p 188.

25. Calculated from: SAUS, p 824.

26. ARGUMENTY I FAKTY. 1987, Nos 41-42, pp 8-9.

27. FAOPY—FAO Production Yearbook. 1985, Vol. 39. Rome, 1986, pp 271-272.

28. Ibid.

29. SAUS, p 826.

30. "The National Economy of the USSR over 70 Years," p 695.

31. US News and World Report.—19 Oct 87, pp 38-40.

32. "The National Economy of the USSR over 70 Years," p 513.

33. Data of N.P. Shmelev; The USSR in Numbers in 1987, p 244.

34. SAUS, p 826.

35. UNESCO Statistical Yearbook, 1987. pp 10, 25, 30.

36. FAOPY, pp 63-75.

37. "The National Economy of the USSR over 70 Years," p 410.

38. FAOPY, pp 107-109.

39. Ibid., pp 126-127.

40. Bolotin B.M. The Soviet Union in the World Economy, pp 143-148.

41. FAOPY, pp 79-80, 89-90, 93-94.

42. UNESCOSY, pp 7, 167, 178.

43. SYUN, pp 1068-1091; SAUS, p 827.

44. LITERATURNAYA GAZETA. 27 Jan 88, p 10.

45. Fortune. 14 Sep 87, p 35.

46. "The National Economy of the USSR over 70 Years," p 411; SAUS, pp 419, 423.

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## MACHINERY, EQUIPMENT

### Price Formation Problems in Machinery-Equipment Sector

18240045 Moscow SELSKAYA ZHIZN in Russian  
8 Feb 89 p 2

[Article by V. Boyev, academician of the All-Union Academy of Agricultural Sciences imeni V.I. Lenin, and Z. Gerasimova, candidate of economic sciences: "Nevertheless, the Balance Has Been Disturbed" (See FBIS DAILY REPORT: SOVIET UNION, 13 Jan 89, FBIS-SOV-89-009 for translation of Pavlov article)]

[Text] The article by A. Pavlov, chairman of the USSR State Committee for Prices [Goskomsen] (SELSKAYA ZHIZN, 12 January), gives an unequivocally negative answer to the question: Has the price balance between agriculture and industry been disturbed? First of all, calculations made in accordance with a special method for determining price parity, approved in 1987, and, secondly, those new approaches which have occurred in recent years in the area of price formation, including to new agricultural equipment, served as the basis for such a categorical answer to this quite important question. We share the author's opinion about the need for a well-considered, objective analysis of the problems. Therefore, we will dwell in more detail on the two arguments mentioned above.

Let us begin with the method. First of all, this method has nothing at all to do with the problem of price parity. It is used to calculate indexes of purchase prices and wholesale prices for industrial output. And this is far from one and the same thing. In this regard, it is hard not to agree with V. Pavlov, who believes that the problem of price parity cannot "be simplified to be interpreted as a simple correlation of wholesale industrial prices and agricultural purchase prices."

Indeed, what specific conclusion can be made from the wholesale price change index obtained, say, for agricultural equipment for some year or other calculated on its main parameter—productivity? If it is higher than one, then it is bad, but if it is lower, is it good? Nothing of the kind. The point is, productivity is far from a single equipment parameter. Therefore, a price increase per unit of this indicator may well be accompanied by a greater savings in current operating expenses when using this equipment, which leads to an overall decrease in consumer expenditures. But maybe this is not so: a price increase of the main parameter in size will exceed the sum of the savings through operation. Then the result is inevitable: work being performed becomes more expensive. All of these variants are not reflected in the calculated indexes.

But this is still not all. The method calculates average costs (per unit of productivity) for large groups of agricultural equipment according to its primary purpose. For example, plows, harrows, cultivators, and seeding

and planter machinery, etc. This grouping creates quite a mess. Thus, the unit productivity cost for a PN-4-40 four-bottom plow is 373 rubles, and for the PBN-350 three-bottom tractor-mounted plow it is already 620 rubles. It would be natural to suggest that the difference is explained by the higher parameters of the second of the equipment named (effective width, tillage depth, service life, and availability factor). But it turns out that these indicators are equal or close: 1.6 and 1.5 m, 35 and 35 cm, 8 and 7 years, and 0.99 and 0.97, respectively. Or let us take another example: the unit productivity cost of the PGP-7-40 seven-bottom plow is 866 rubles, and the PNL-8-40 eight-bottom plow is 344 rubles. But here the values of the other parameters are as follows: effective width 2.8 and 3.2 m, tillage depth 27 and 30 cm, service life 8 and 8 years, and availability factor 0.98 and 0.98, respectively.

We will not make hasty conclusions that the prices for these plows are established in total incongruity with their consumer parameters, although the conclusion automatically comes to mind. The fact here is that these plows, having one and the same functional purpose, have different spheres of use and, accordingly, each has its own analogue. But the method for calculating indexes does not take such nuances into consideration. As a result, it is sufficient to increase the volume of plow deliveries (incidentally, this also applies to equipment of other groups) with a higher cost of the main parameter, and the price index will also rise (and vice versa). In fact, if these machines are compared with their actual analogues, then a directly opposite picture can be obtained, that is, the price for the machine with the lower unit productivity cost as compared to its analogue will turn out to be unjustifiably inflated. The method does not take this into account.

And one more thing: The method provides for the calculation of price indexes as compared to 1983, adopted as the base year, since a large increase in purchase prices was implemented then. But at that time there was an unwarranted increase in the prices of equipment which was being delivered to agriculture at accelerated rates even in subsequent years, thereby increasing the price increases. This circumstance is not reflected in the calculated price indexes.

It turns out that the agricultural equipment price indexes, annually determined by the USSR Goskomsen and the State Committee for Statistics [Goskomstat] taking into account its productivity, can only state (and do state) the fact that, year after year, asset- and capital-intensive types of agricultural equipment are received by agriculture. Yet they reflect instances of direct price increases, connected with massive (the 1982 type) or partial price reviews. But V. Pavlov is correct when he writes: "Since 1982, the state has not carried out any industrial output price increases for the countryside." But the point is, we are not talking about such price increases when the question of a violation of price parity is posed, but about so-called hidden, unwarranted

increases. It takes place under the guise of producing new types of industrial products, when their prices increase in excess of the effect that the consumer should get. But it is precisely this problem that the existing indexing method does not solve. Therefore, the calculations cited in the article on the state of price parity based on this method naturally give a distorted picture.

The analysis we performed showed the following.

In 1986, as compared to 1983, expenditures of kolkhozes and sovkhozes per 100 rubles of gross agricultural product (in 1983 prices) increased by 7 percent. The absolute sum of the rise in prices, caused by the increase in unit production cost, was 9.4 billion rubles, which included an increase of material expenditures of 5.5 billion rubles. Their increase was also caused, in addition, by a rise in price of the unit of material resources.

The total of unwarranted price increases for 1986, calculated according to the VNIIEhSKh [All-Union Agricultural and Economic Scientific Research Institute] method, as compared to 1983, was 3.2 billion rubles. One should add 700 million rubles to this, which is the total increase in estimated construction and installation work prices since 1984. Thus, the total cost imbalance in 1986, as compared to 1983, was 2.7 billion rubles.

The totals of unwarranted price increases are growing year after year. Thus, in 1987, as compared to 1983, they were 4.2 billion rubles, and in 1988 were already more than 5 billion rubles.

Now about those new phenomena which occurred in recent years in the area of price formation for new agricultural equipment. Here, we primarily have in mind (as, incidentally, the author of the article also does) the temporary method of determining wholesale prices for new industrial-engineering machine-building output, approved by the USSR Goskomtsen on 30 October 1987. This is the fourth version of this method in succession. It is curious that from one version to the next, more and more concessions are made to the manufacturer. At first, wholesale prices were based on the expenses of the second and third year of series production; then, on the basis of the first year, that is, on the highest level. The level of markup on prices was increased significantly (discounts as well as installment prices did not take root).

As far as reflecting the consumer's interests in the method is concerned, here there are no changes at all. In all versions, the simplest manipulations were conducted with the very same upper price limit formula. In the latest method, in particular, only its outward appearance has changed. And it seems to us that this was not accidental: All branches using this method (besides agriculture) are united by one common interest, the interest

of the manufacturers who, as a rule, have a vested interest in high prices for the means of production. And, in this regard, the existing method is simply a godsend for them. You see, according to this method, the maximum (based on the maximum capabilities of a new machine) practically unattainable efficiency effect, adjusted by a lowering coefficient of 0.7, the size of which is neither theoretically nor practically justified, is laid out in the limit price.

This limit price does not exert influence on manufacturers of new equipment to lower the costs of its manufacture.

The existing limit prices cannot fulfill their main function—to eliminate overexpenditures. If we now compare the price increases of new machinery with that effect which should be included in the limit prices, so that they can fulfill their basic function, it turns out that unwarranted price increases are occurring on a large quantity of machinery.

Thus, has anything new nevertheless occurred in agricultural equipment price formation that would enable us to solve the problem of price equivalency? The procedure for determining limit prices has remained the same. The introduction of contract prices? But, first of all, even contract prices must be set within the confines of those same limit prices which are determined by the same method. Secondly, what basically can the transition to contract prices change in price formation, while maintaining the manufacturers' monopoly? Farms cannot exercise the right to lower prices.

As far as the entry in the new method about increasing the customer's role in the process of setting prices for new machinery is concerned, the same entry was also contained in the previous versions of the method and in the instructions on the procedure of coordinated drawing up of normative and technical documentation and prices, approved back in 1976-1977. Is this matter really about the entry? Well, what can the customer do if the USSR Goskomtsen, exercising sole methods management, does not allow violation of its method of determining limit prices? And, in this regard, it is difficult to make any claims against the workers of the USSR State Agroindustrial Committee [Gosagroprom] and appropriate curators of the USSR Goskomtsen who are involved in determining price levels at the stage when equipment has already been placed in series production. For all of their conscientious attitude toward their work, there is little that can be done at this stage.

In summary, it can be said with certainty that no measures in the area of improving purchase prices can have the required effect without taking corresponding steps to change the methods of establishing wholesale prices for industrial products that go to the countryside.

## POLICY, ORGANIZATION

### Comparison of USSR-U.S. Consumption Figures to 1986

18270041 Moscow SOVETSKAYA TORGOVLYA  
in Russian 27 Dec 88 p 3

[Article comprising material taken from an article by A. Zaychenko published in SShA: EKONOMIKA, POLITIKA, IDEOLOGIYA No 12, 1988: "How We Are Catching Up With America"]

[Text] In all countries where statistics have been collected, the share of the total wage fund in the national income created in industry has undergone practically no change over a period of 120 years, ranging between 60 and 80 percent.

In 1970, in the United States this indicator was 65 percent, and in 1985 it was 64 percent.

Figures for this indicator in our country have been 54.8 percent in 1908, 32.2 percent in 1960, and 36.6 percent in 1985.

This low share of remuneration in net output cannot be justified either in economic or social terms.

There are no figures in our public press on the money expenditures of Soviet families for personal consumption. That is why a hypothetical urban family consisting of two working spouses receiving the average wages in the country (190 rubles per month in 1985) and with two minor children was taken for purposes of comparison. A family with the same makeup and income was also taken in the American statistics.

### Food

Per capita meat consumption, according to the figures for 1985, was 62 kg in the USSR and 120 kg in the United States.

At the same time, the quality of the meat sold to the public is far worse in our country than in the United States. If fat and lard (internal fat) and edible offals are omitted, and it is taken into account that poultry consumption in the United States includes only whole chickens and turkeys consumed, then the ratio in meat consumption by weight is 1:3.

The average caloric value of the diet is approximately the same in the USSR and the United States (3,300 and 3,800 kcal per day per person, respectively). The Soviet consumer receives 46 percent of his daily food ration in the form of bread and potatoes and 8 percent in the form of meat and fish. In the United States, these proportions are 22 percent and 20 percent, respectively. Perishable fresh vegetables and fruit are practically inaccessible to a majority of our country's population, except for the brief period when they are harvested.

The Soviet worker has to work far more than the average American to buy the same unit of food. For meat, it was 10-12-fold more in 1985, for poultry 18-20-fold, for milk threefold, for butter sevenfold, for eggs 10-15-fold, for oranges and bananas 18-25-fold, for bread 2-8-fold, and for vodka 18-fold.

In 1913, per capita meat consumption in the cities of the Russian Empire was 88 kg, in Moscow 87, in St. Petersburg 94.1, in Vladimir and Vologda 107.5, and in Voronezh 147.7 kg. Per capita amounts of meat consumption were still higher in the cities of Siberia and the Far East. The cities with the lowest meat consumption included Warsaw—55.2 percent (meat consumption in Poland is higher now than in the USSR).

The quality of the diet in the United States at the beginning of the 20th century differed little from present-day standards of nutrition. For instance, between 1913 and 1985 per capita beef consumption rose 22 percent, fish consumption 11 percent, poultry consumption 4.6-fold, while at the same time milk consumption dropped 11 percent, egg consumption 19 percent, potato consumption 43 percent, and flour consumption dropped to nearly half.

By 1970, the problem of improving the quality of the diet of various social groups in the U.S. population had gradually dropped off the agenda. Whether well-off or poorly off, Americans do consume their 100-120 kg of meat per year. The quality of that meat is another question (inexpensive fryers or expensive veal cutlets). In the USSR in 1986, a four-member family with an income of 260 rubles per month consumed just over one-third as much meat and meat products per member of the family as in a family of the same composition with an income of 900 rubles.

Between 1913 and 1985, the number of hours the average American worker had to work to buy 1 kg of food decreased 77 percent for meat, 91 percent for butter, 85 percent for milk, 84 percent for sugar, 80 percent for bread, 80 percent for flour, 82.5 percent for potatoes, and 80 percent for oranges.

Thus, over the last 80 years differences between the United States and the USSR in the economic accessibility of foodstuffs have grown considerably.

### Clothing, Footwear, Textile Goods

The Soviet per capita level of textiles consumption is 30 percent of the American level, while for footwear it is 97.6 percent.

At the outset of the eighties, if imports are included, per capita footwear sales in the Soviet Union were 3.2 pairs, while in the United States the figure was 1.9. Prices are high on Soviet footwear, and the quality is low, so that the volume of shoe repair services is five times greater than in the United States. What is more, customers are



as a rule offered clothing and footwear in outmoded fashions and styles. Good and fashionable imported goods are very expensive, and the volume of their sales is negligible. The volume and quality of clothing accessories consumed in the USSR, especially for men, are very low (12 percent of the U.S. level).

In the USSR, the economic accessibility of most articles of clothing, footwear, housewares, especially electric household appliances, expressed in terms of the ratio between wages and retail prices, is 5-10 percent of what it is in the United States, if not even lower. In this commodity group, relative prices in the USSR are among the highest in the world.

### Durables

The Soviet Union's lag in the supply of durables to the public is especially sizable (14 percent of the U.S. level). Things are slightly better with furniture and carpets (27 percent), but worst of all with automobiles (5 percent). Although with respect to certain durables (refrigerators and washing machines) the differences in level of consumption in physical terms are negligible, the products cannot be compared with respect to quality and class.

American families typically have a high level of saturation of technically sophisticated durables. In the mid-fifties, nearly 100 percent of U.S. families had refrigerators, 86 percent had black-and-white television sets. When color television sets, freezers, home air conditioners, dishwashers, and other types of sophisticated consumer goods appeared on the market, a new period began in which families acquired them.

Even by 1986, 91 percent had color television sets, and the relative supply is increasing for such innovations as electronic telephone attachments, home computers, computer games, etc.

In the USSR, the present level of retail prices for consumer goods and services (especially food) is one of the highest in the world, and the question of its further increase cannot be seen as a means of carrying out the Food Program and social welfare policy as a whole.

## FOOD PROCESSING, DISTRIBUTION

**Gosplan Official Views Food Supply Problems**  
18270040 Moscow PLANOVYE KHOZYAYSTVO  
in Russian No 12, Dec 88 pp 81-84

[Article by G. Yelistratov, deputy department chief of USSR Gosplan]

[Text] The issues of improving the country's food supply were raised with particular poignancy at the 19th All-Union Party Conference and the July (1988) Plenum of the CPSU CC. This was one of the primary problems raised. Significant efforts have been made in recent years to

increase food production, and food has also been purchased abroad in substantial quantities. As is well-known, back at the beginning of the eighties the USSR Food Program for the Period up to the Year 1990 was drafted and approved by the May (1982) Plenum of the CPSU CC in order to guarantee the country's population a reliable food supply in the shortest possible time. Strategies were defined for carrying it out, including the following: accelerated growth of deficient food resources on the basis of proportional and balanced development of the agroindustrial complex, consistent intensification of production, and application of the advances of science and progressive know-how; all-out improvement of utilization of the complex's production-equipment potential; a campaign for conservation and thrift; reduction of losses and improvement of the quality of agricultural products; and further improvement of rural social and consumer services. This list does not cover everything contained in the measures drafted in that period, since along with the Food Program the plenum of the CPSU CC approved a number of decrees to ensure successful progress toward the objective. The 1982 Food Program was designed in stages, specifically as follows: by 1990 it called for achieving higher levels of consumption of the principal foodstuffs, for example, 70 kg of meat instead of the 58 in 1980, 330-340 kg of milk instead of 314, 18.2 kg of vegetable oil instead of 8.8, 126-135 kg of vegetables and melons instead of 97, and 66-70 kg of fruit and berries instead of 38. As the figures show, this is substantial growth. The question, of course, arises: Now that the Food Program has been carried out for 6.5 years, why is it that we feel the food problem with the same acuteness? In recent years, coupon rationing has been applied to the sales of many foodstuffs, critical signals have come in from local areas to the effect that a number of foodstuffs are not available at all in the trade sector and that prices have been hiked up at markets and in cooperatives. There have been many articles in the press about social injustice in food distribution. Quite often all of this has been compounded by the creation of artificial shortages and the diminished sense of responsibility on the part of a number of senior officials of local authorities for organizing uninterrupted supply to the public of many foodstuffs produced at the point of consumption.

First, as to practical performance of the tasks set by the Food Program. We should recall that just before the May (1982) Plenum of the CPSU CC the manifestations of stagnation became widespread in development of the branches of agroindustrial production, many foodstuffs were being produced at a loss, and as a consequence there was no motivation to produce them. The narrowly sectoral principle of management of production was in effect, and essentially the agroindustrial complex had not been formed. Livestock raising was in a critical state. The number of head of livestock had increased, but the costs of maintaining that livestock population had risen, and that branch's output was at practically the same level. In some years, there was a somewhat more lively growth of production, but in the recent period a decline had set in, the capacities of processing enterprises did not correspond to the volume of procurements, which

resulted in large product losses. Emergency measures were required, and they were taken: for the first time, the agroindustrial complex began to be planned and managed as a single entity, substantial changes were made in the economic mechanism governing the conduct of economic activity, the economy of kolkhozes and sovkhozes was strengthened, and bottlenecks in the complex's development were discovered and began to be eliminated.

Nor were the results long in coming. It is sufficient to say that over the entire period that has passed since the Food Program began to be carried out there has been a steady increase in the output of products of livestock raising, and their growth rates have been rising. Over the period 1986-1987, the average annual addition to production was 900,000 tons for meat, 2.6 million tons for milk, and the increase over the increment added to these products in the 1981-1982 period was threefold and 2.5-fold, respectively. Gross output of agriculture grew steadily over the period 1983-1987: this year it was more than 220 billion rubles, as against 195.9 billion in 1982.

But there have been sizable lags in the production of grain, oilseed crops, vegetables, and fruit. The necessary growth rates have not been achieved in the production of meat and milk, even though there have been some obvious improvements here. A number of union republics (Belorussia, the Baltic republics, Kirghizia) have been fulfilling assignments of the Food Program for growth of the output of agricultural products, but RSFSR, UkSSR, and UzSSR have not been fulfilling them.

As a consequence, actual consumption of the principal products had in 1987 reached the following levels relative to the level envisaged by the USSR Food Program for 1990, including imports of food: about 92 percent for meat, 100 percent for milk, 102 percent for eggs, 72 percent for vegetables and melons, 73 percent for fruit and berries, and 76 percent for vegetable oil. The amount of bread and sugar now being consumed is substantially greater than the assumed amounts.

In the years that have passed, there has been no increase in consumption of meat and meat products or milk and dairy products in Uzbekistan, Tajikistan, and Turkmenia. It was emphasized at the July (1988) Plenum of the CPSU CC that targets for production of agricultural products must unconditionally be fulfilled in the remaining years, and the task was set to reach the level of consumption envisaged in 1990 by the USSR Food Program for all types of foodstuffs.

The possibility of achieving this is mainly determined by creation of the respective potential. In recent years, there has been an immense effort to strengthen the plant and equipment of processing branches. The peak of this effort is to come in the 13th FYP, and the yield will be rising every year. The overwhelming majority of kolkhozes and sovkhozes are increasing the productivity of

livestock raising. Since 1982, average milk production per dairy cow has risen 374 kg, and at the same time the fat content of the milk has risen nearly 0.1 percent. Average weight per head of cattle sold to the state has risen 35 kg to 375 kg, and that of hogs has risen 11 kg and reached 111 kg.

Nor is this fact without interest: The yield of sugar beets has risen over the last 5 years by an average of 64 quintals per hectare, and at the same time their keeping qualities have improved. In 1987, the yield per ton of sugar beets was 12 kg of sugar more than in 1982. Consequently, each hectare planted has yielded 7 quintals more sugar. Many favorable changes have also occurred in other branches of the APK. There has been a steady increase in the production of feeds, accompanied by improvement of their quality. The share of hay and root crops has increased appreciably in the structure of the feed harvested.

Although in recent years quite a bit has been done to obtain the necessary agricultural foodstuffs, the food problem has nevertheless been aggravated, and there are a number of reasons for this. I will list the main ones. First of all, as already noted, there are the inadequate growth rates of production and slow restructuring in organizing the trade in quality products and the gap between personal money income and the production of consumer goods.

The money which people have considerably exceeds the value of all available goods. The way out of this situation is a further growth of food production and improvement of its distribution through the trade sector.

Even now, the country has a realistic possibility by the end of this FYP of completely satisfying the needs of the population as defined in optimum standards of nutrition for bread and rolls, macaroni products, and confectionery products in the necessary assortment and at a high level of quality, hulled and milled grain products, potatoes and vegetables, fish products, vegetable oil and butter, margarine, dairy products, eggs, poultry meat, and tea.

The main thing here is properly organizing the effort to supply these products to the population in every rayon, city, oblast, kray, and union and autonomous republic. A most thorough analysis needs to be made of the state of affairs and immediate steps defined and taken to eliminate bottlenecks in organizing the supply of these foodstuffs.

As for the products of animal husbandry, principal attention will be paid here to the meat and dairy products subcomplexes, which are the most important ones for food. Over the last 5 years, they have furnished more than 50 percent of the total growth of the APK's output in money terms. The substantial change in the structure of agroindustrial output has helped to substantially increase the share of the products of these subcomplexes.

The plant and equipment which they have in place makes it possible to increase production at higher rates and not only to reinforce the rates that have been achieved, but also to boost them to the maximum. This is what the calculations show: a notable turnaround could be achieved in eliminating the shortage for meat and dairy products by increasing meat production by 30-35 percent and milk production by 20-25 percent. That kind of growth can as a practical matter be obtained from the present livestock population without increasing it, since widespread experience shows that at the present the potential of animal breeds with respect to the level of productivity is underutilized by at least 30-35 percent. That potential will, of course, be expanding every year. Whereas today there are only isolated dairy herds with a productivity level of 7,000-8,000 kg, in 5 or 10 years there will be tenfold more of them. They will comprise at least 30-40 percent of the total number of head. How can this be achieved? First of all, by a stepped-up effort on the part of every kolkhoz, sovkhoz, and other enterprises to apply progressive forms of the organization of work and production (the collective, family, and individual contract), combined with broad development of leasing in rural areas. If the level of milk productivity is raised approximately the same amount as it has changed annually over the last 5 years, that is, within the limits of 100 kg per dairy cow, the problem of supplying milk and dairy products to the population could be solved. It is more complicated to expand meat production. Maintaining the higher rates that have been achieved will make it possible to attain optimum rates of consumption without imports no earlier than in 5-8 years. Those periods could be shortened by increasing the share of poultry raising and swine raising, but high-quality concentrated feeds are required. That is why in coming years there will be intensified growth of production of grain and feeds and meat and dairy livestock raising will develop faster on that basis. Here, the emphasis must be put on improving the quality indicators, increased yield from fields, and increased productivity of livestock-raising operations.

More specialized production operations adjusted to local natural and climatic peculiarities should be created than at present.

Reinforcing the plant and equipment of the processing branches of industry will make it possible to process the raw materials more thoroughly. There is a large potential here. For example, whereas at the present time the efforts of the food industry are mainly aimed at the fuller extraction of the fat from milk, only 30-35 percent of its protein—an equally valuable product—is used to manufacture products to feed the population. The remainder of the valuable raw milk is at best fed to young animals or is entirely wasted. The retooling of dairy industry enterprises will make it possible to place emphasis on fuller utilization of milk protein for food purposes and to increase the output of low-fat dairy products.

Or the question which follows. Sizable losses of fruit, vegetables, and potatoes during growing, processing,

storage, and distribution represent a bottleneck in their use. That is why creation of the necessary conditions for production and delivery of high-quality products to the consumer in an improved assortment is an issue that came to a head long ago. This problem will not be solved with the customary approach aimed at increasing the volume of production. It seems fair to say that one of the main directions in this area will be further formation of specialized enterprises and zones in the vicinity of major cities and industrial centers, creation of agricultural combines and other structures of a similar type that would combine in the same hands the production, storage, processing, and distribution of these products. At the same time, fuller use has to be made by the population of the produce raised by kolkhozes and sovkhozes through creation of various cooperatives and organizations that would serve as middlemen between the producer and the consumer. The intermediaries and cooperatives might be very diverse in their form, but the monitoring of prices must not be overlooked, their rise must be limited by establishing ceilings, which in all probability would differ for the zones of the country and the seasons of the year. This process could be best managed within certain limits by local authorities, who should be given the relevant powers. An important task is to expand the assortment of products produced and to increase the output of baby foods and dietetic foods. Achieving this requires creating not only large processing enterprises, but also medium-sized and small ones everywhere, and they should be located primarily at the point of production. Products should as a rule reach the trade network in wrapped and packaged form ready for consumption. This is not a simple matter. But its time has come and it cannot be postponed for long years.

Although the country possesses immense food resources, they have to be used optimally and losses eliminated. This problem has to be solved in stages along all lines, concentrating the necessary physical and technical resources on reequipping the processing branches of industry and on increasing their production capacities. But this effort is going slowly at present. For instance, in the years of the 5-year plan to date the planned activation of capacity for processing oilseed, potatoes, sugar beets, and so on, has not been achieved. In all, the shortfall in assimilation of capital investments in the processing industry has been about 1 billion rubles, while at the same time the plan for capital construction in the agroindustrial complex as a whole has been substantially overfulfilled.

The role of local authorities in guaranteeing uninterrupted and efficient supply of food to the population of their respective regions must be increased in this connection. For long years, all the difficult problems, including the country's food supply, have been passed on to central authorities. This engendered the dependency which is now well-known, and devices had to be used to obtain the necessary resources at the center: even the USSR Council of Ministers had to seek ways of supplying such products as cabbage and onions to the country's

central oblasts, where they can and should be produced. Even now, canned fruits and vegetables are being delivered from other regions to the country's southern regions, and flour is being transported to the Central Asian republics. If this situation is to be overcome, the line has to be pursued of self-sufficiency in those foodstuffs which can be grown or produced locally, above all vegetables and potatoes, fresh beef and pork, fresh milk, eggs, poultry meat, the entire range of products grown in greenhouses, many fruits and berries, and food products that grow wild. But the assortment has grown smaller in recent years, and the supply has largely been related to products shipped in in canned form or sometimes simply in spoiled form. It is deemed advisable to put an end to this defective practice. But the change to self-sufficiency is going extremely slowly and with backward glances: "Perhaps we will be able to go back to the previous system?" Little attention is being paid to the production of ethnic dishes and to the revival of local traditions. Wherever this has been understood and grasped, the situation is improving rapidly. An example of such an approach is offered by Volgograd, Lipetsk, Tselinograd, Kharkov, Orel, and a number of the country's other oblasts. Much is being done to organize the supply of vegetables and other products in Lvov Oblast and supply is well-organized in Kirov, Tula, and many other oblasts. Previously forgotten homegrown produce in the local assortment is now being offered for sale. All of this indicates that there are opportunities everywhere to organize good supply of many foodstuffs. Fuller advantage needs to be taken of them, production needs to be developed, personal subsidiary farming of individuals should be supported, creation of subsidiary farms of enterprises and organizations should be pursued more vigorously, and everywhere there should be well-organized hothouse production and processing enterprises. Thus, the directions are clear: produce and put to optimum use everything that is possible, rather than to strive exclusively to increase deliveries from centralized funds or, on the other hand, to cut back deliveries to them.

Recently, the question has been raised of the delivery of produce to the all-union stock. It does not seem that formation of that stock of food should be given up even in the future. The overall task is to make maximum use of the natural and economic potential of the country's regions, to produce more output where the conditions exist for it. Planning authorities need to promote this process in every way. At the present time, a sizable quantity of concentrated feeds, for example, is being allocated from state resources to supplier republics for production of the products of animal husbandry. An effort is being made to improve the method of assessing deliveries of products to centralized stocks as a function of the potential created, and beginning in the 13th FYP assessments will be made using the new method based on the potential and exchange for not only animal feed resources allocated, but also other resources as well.

We assume that mutual product deliveries will increase, but their economic basis can and must change in keeping with the new economic conditions.

All of these matters require, of course, detailed studies that would serve as the basis for shaping the draft plan for the 13th FYP and would be used in preparing the new program—the program for qualitative improvement of the supply of food to the public over the next 10 years. As for the most immediate tasks in improving the food supply, their performance is predetermined to a considerable degree by the state plan for the USSR's social and economic development in 1989.

The 1989 plan is straightforward in sticking to the targets of the FYP. The gross output of agriculture is 236.9 billion rubles, which is 900,000 greater than the targets of the 5-year plan for this year. Targets higher than those of the FYP occur mainly in production and deliveries to the state of the products of animal husbandry. It is assumed as a consequence that per capita consumption will increase between 1988 and 1989 by 1.5-2 kg of meat and 18-20 kg of milk. Egg consumption will be 275 in 1989, while the target for 1990 is 266. There will be some growth in consumption of fish products, vegetable oil, vegetables, and fruit.

More young animals and poultry will be sold to the public, along with more mixed feed.

Ministries and departments are taking additional steps to organize and increase the operating efficiency of subsidiary farms of enterprises and organizations. Over the period 1988-1990, more than 400 small-capacity enterprises are to be started up to slaughter livestock and to process meat right at the point of production and where the animals are purchased from individuals. Production of cheeses, cottage cheese, and sausages is to be organized everywhere on kolkhozes and sovkhozes and on family farms. Over the next 2 years, additional greenhouse area is to be added using plastic film, existing processing enterprises are to be retooled and new capacities activated, the needs of individuals for garden plots and orchards are to be met to the maximum, and prompt purchases of all surpluses of agricultural products from individuals are to be organized.

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## GOODS PRODUCTION, DISTRIBUTION

### Problems of Goods Deficit, Disposable Income Viewed

18270046 Moscow SOVETSKAYA ROSSIYA  
in Russian 24 Jan 89 p 1

[Article by Ye. Khokhlov: "Income and the Deficit"]

[Text] We are getting more and more letters about serious irregularities in trade. Why, readers ask, are even the most ordinary and necessary goods, with which there have been no problems at all, disappearing? They call upon us to look into each specific case. But just which one should be chosen for a journalistic investigation, when we now have dozens of urgent areas to address! It is necessary to recognize a bitter fact for everyone: the trade mechanism has broken down and the situation in



the consumer market is extremely unfavorable. Never before has the information that we regularly receive from the RSFSR Ministry of Trade been so alarming. The deficit of commodity resources for 1989 is estimated at 24 billion rubles, which is about one-ninth of the annual retail commodity turnover.

No, nothing sudden has happened. The economists say that the income of the population is growing rapidly. The nature of expenditures has also changed. The consumption of state alcohol has declined by almost half since 1985 and billions of rubles flowing back from the wine counters have gone into the general commodity turnover. And one "side of the scale"—money—has overflowed, whereas the counterweight turned out to be quite inadequate: the production of goods was not expanded in the necessary proportions and imports were sharply limited because of the scarcity of foreign exchange. According to the laws of the market, such a loss of balance leads to inflation and price increases. Or, under the conditions of administrative price support, to a shortage.

Most likely, this generalized economic interpretation does not suit many. It is apparent from the mail to the editor's office that, from the point of view of everyday life, we have long had reason to object. Maybe so, think people who are much better acquainted with everyday practice than with theory. But does the fact that the people now have disposable money mean that we have suddenly started to put on two overcoats, to sit on three chairs, and to brush our teeth twice as often? Let us take a serious look at such doubts and try to understand.

Trade cannot work from a conveyor. It is necessary to have some kind of a reserve to put together the necessary assortment in the stores and to soften possible fluctuations in consumer demand or interruptions in industry. Thus, over the course of several years, it was necessary to compensate for the inadequate production of goods through stocks. Today the warehouses have been largely emptied and it is no longer possible to support uninterrupted trade by this means. For example, the number of refrigerators, according to the State Statistical Committee of the RSFSR, has decreased by more than 80 percent since 1980. Difficulties will arise even with those items and products that in principle are sufficient, merely because they will not be able to deliver them to the trade centers on time. Interruptions and lines are doing even more to encourage consumer speculation, which is dangerous even for a healthy market, for the contents of warehouses and depots are stretched out immediately.

As we see, it is all more complex. The shortage is not arising directly from the results of one fiscal year. And the commodity turnover can grow without being filled with "physical" content; readers are correctly noting this growing contradiction. It is understandable that if, for example, the production of glazed dishwares at the enterprises of local industry of the RSFSR increased (in

value) by 2 million rubles in 2 years but declined (in real terms) by 1 million pieces, there will be no abundance of frying pans and pots. The same thing applies to furniture: there has been an increase in the percentage of expensive suites and sets but a decline in the number of tables, chairs and cupboards. Fabrics, shoes and clothing—where will all this come from if most enterprises of the RSFSR Ministry of the Textile Industry and Ministry of Light Industry are practically marking time, inflating the soap bubbles of gross indicators? They did not increase the delivery of things but instead they raised the prices. A woman's winter coat increased in price by an average of 18 rubles in the past year, a man's suit by 5 rubles, and a knitted article by 25 kopecks. By kopecks or rubles, the necessary percentages flowed into the report column. The ministry has its indicators, the labor collective its profit, and the budget its income. Only the buyer fails to benefit.

The plan for the quantity of many kinds of commodities was not fulfilled last year and there is still a lag behind the pace set in the five-year plan. All the problems are old and new ones have now converged. But we do not want our current commodity shortage and our frank conversation about its causes to give the reader added justification for categorical conclusions to the effect that "things were better before." Sure, emotions are a factor but one must still be fair. In taking advantage of their cost-accounting independence, producers sometimes act arbitrarily and remove unprofitable but necessary output from production without the approval of trade. Is cost accounting at fault? Is the Law on the State Enterprise a bad one? It will be more accurate to say that it is applied in a one-sided manner and not to the benefit of buyers. Nor is everything going well with cooperatives: the desirable competition is not developing and there is more often a tendency toward market control and a monopoly price level. In both cases, of course, adjustments were required. And the state, in protecting the interests of the people, is taking measures. You know about them. This includes the special role of the state order in the formation of socially low commodity prices for children and the elderly, a system of subsidies and preferential standards for enterprises producing such goods, stricter procedures in the setting of prices, and the preparation of a Law on the Protection of Consumer Rights. Thus, there is a continuous alteration and development of different elements of the still-imperfect economic mechanism taking into account new experience. Many of its shortcomings are obvious. But only through ignorance or forgetfulness can it be contrasted with the previous rigid planning.

Just 5 or 6 years ago, one could see the incredible dispatching responsibility with which the main economic staff was burdened. Imagine what it cost to plan and record by sectors and oblasts the output of all "necessities" and articles in "greater demand"! The government decrees and instructions, Gosplan targets and counterproposals of the ministries were full of piece accounts. The fruit of their labor, endless lists with



columns of figures, evoked the secret thought: Is it really possible that such high offices have nothing more important to do than to count how many towels, threads and brushes are produced in the country? Unfortunately, such a regulation of production and demand was accompanied by the excessive expenditure not only of managerial labor. But the main thing is that the shortages could not be ended anyway. While the powerful inertia of directives forced industry to push bed sheets onto an overloaded market, an acute shortage of slippers arose. When the slippers appeared, the sheets disappeared. Generally, it was clearly impossible to work "as before."

On the other hand, today one has to argue with the impatient desire of some economists to restore equilibrium in the consumer market at once. The ideas are simple: use foreign exchange credits to buy goods abroad and permit an abrupt rise in prices. The goal will be reached and living conditions will become better, above all, of course, for those who produce goods. High prices yield large profits and the abundance of imports in the stores will reduce the burden of moral responsibility to the population. But it turns out that the equilibrium "earned" in this way is very short-lived, after which two questions inevitably arise: How can the foreign debts be paid off and how can the standard of living of the working people be restored?

It is no accident that the "idea of a leap" is meeting with more and more criticism. A meeting dedicated to the problem of a balance between money and goods was recently held in Suzdal between learned economists from socialist countries. Hungary, the GDR, USSR and CSSR have different experience with reforms. It is characteristic that they expressed a common thought: it is useless to raise prices if that does not lead to an increase in output. To change the psychology of the producer, it is necessary to make major changes in the area of finances, credit, the monetary turnover and price setting, and not just in one particular link.

Reforms on such a scale take time. Where do you find that time and how do you fill the consumer market in the next 2 or 3 years? Here are some of the suggestions of the scholars. First, in the overall shortage of goods, there are many items that are in limited demand because of excessive prices. For example, crystal and assorted glassware, silver and German silver, certain kinds of jewelry, rugs and some radio equipment. If the excessive prices were lowered, then these goods could be removed from the warehouses tomorrow and the production conveyor could be operated at full speed. Second, sharply increase the market allocations of building materials. Contrary to government instructions, the demand for them has not been satisfied. The 1989 deficit will be 1.1 billion rubles in the RSFSR alone. Third, adjust commodity imports. Purchase those items that yield the largest profit through the difference between the prices in the foreign and domestic markets—electronics, tea, coffee, citrus.... On the other hand, give some more thought to how expedient it is to export automobiles, for example, which are

sold here at a price three times the wholesale level. At the same time, according to specialists at the Economics Institute of the USSR Academy of Sciences, it is also necessary to deal with the other "side of the scale." That is, limit the unjustified growth in income. Some of the proposals are already being realized. But a set of different measures is needed; only in this event will the effect be achieved.

The party's preelection campaign briefly indicates how it is proposed to raise commodity output. Substantial resources are being allocated to modernize light industry. Defense enterprises, some of which are being reorganized for civilian purposes, will work for the immediate needs of the people. Firms from foreign countries are being brought in to set up enterprises for the production of high-quality goods. As early as this year, it is expected that the measures taken will increase commodity output by 18 to 20 billion rubles and by 48 billion in 1990. It is necessary to be patient: the society cannot enrich individual members until it becomes richer itself.

#### **Commentary Views Goskomstat Report on Retail Prices**

18270044 Moscow IZVESTIYA in Russian  
20 Jan 89 p 1

[Article by Yu. Rytov under the "Statistics and Our Commentary" rubric: "Prices, Commodities and Incomes"; first sentence is introductory]

[Text] The USSR Goskomstat [State Committee for Statistics] has prepared a report on the average retail prices for individual commodities.

Well, it's high time! We are all well aware of the sharp criticism of our statistical organs for their diffident failure to mention the real state of affairs in the consumer market. On one hand, each buyer has felt the price rise in his own pocket. On the other hand, the Goskomstat has assured us that the price index has changed insignificantly.

Thus the average retail prices. We see from the report, for example, that in 1980 a woman's winter coat cost 181 rubles (on the average, approximately). In the first half of 1988 it cost 285 rubles. A woman's light overcoat cost 122 and 158 rubles, respectively. A man's topcoat and short winter coat cost 150 and 175 rubles. A light overcoat cost 116 and 162 rubles. An adult's jacket made of synthetic fabrics cost 52 and 79 rubles. A woman's cotton blouse cost 7 and 10 rubles.

It is useful to compare this report with another one: on the number of persons who receive pensions and social security benefits and the average amount of the monthly pensions. At the end of 1987, there were 57,740 pensioners in our country. The average pension for workers and employees is 83 rubles and 70 kopecks; for kolkhoz farmers it is 53 rubles and 10 kopecks. At the same time, one-fifth of the pensioners in the worker and employee

category and the majority in the kolkhoz farmer category (86 percent) have had a pension of up to 60 rubles per month. So how many months (or years) must such persons save in order to buy a winter coat, say?

The increase in retail prices has hit hard at the interests of not only the elderly, but other age groups in the population. For example, children's jackets made of synthetic fabrics cost 22 rubles (on the average) in 1980. But in the first half of last year they cost 37 rubles. Children's box calf footwear for young girls cost 10 and 17 rubles, respectively.

In examining the increase in retail prices, our press has repeatedly pointed to the channels over which it develops. Namely, the so-called contract prices and every possible type of markup for turning out products with better consumer properties: "N" ("new product"), "OM" ("especially popular"), and "ML" ("young persons"). Alas!

It has turned out more often than not in checking that, aside from the indexes, this type of item is not a new product and has no improved qualities of any kind.

And recently, as IZVESTIYA (No 12) has already reported, the decision was made to abolish all the indexes except "N." In turn, clear-cut criteria were established for the newness of an item and the maximum surcharge was reduced from 30 to 15 percent.

Other important steps were taken which were called upon to provide economic incentive for enterprises to turn out inexpensive commodities in different assortment groups. There is no question that millions of Soviet people will welcome these steps. All the same, this is only one side of the medal. The main problem is sharply increasing the production of commodities, saturating the market with them, and completely meeting the demand. Only socialist competition between enterprises and only their struggle for customers can lead to flexible, reasonable pricing.

Unfortunately, we did not cope with the established program for the production of nonfood commodities in the first 2 years of the five-year plan (the growth rates based on the five-year plan targets are 111.7 percent, but the actual growth rate is 109.4 percent). Light industry, which turns out clothing, footwear, fabrics, and so forth, has been lagging behind especially (104 percent instead of the 107.4 percent under the plan). The indicators for other commodities (refrigerators, television sets, household items) look better (115.6 percent for the target, and 115 percent actually reached).

The results for the third year of the five-year plan have not been published yet. But some predictions may be made now by relying on the results of 11 months. The conclusion is unambiguous: last year was more successful, although it is doubtful that we will come to the marks planned for the output of nonfood commodities. Over the 11 months, compared with the same period in the year before last, deliveries to the trade of items from the light industry were increased by 5 percent. Deliveries of other nonfood commodities were increased by 8 percent.

### Retail Trade Turnover Improves, Shortages Persist

18270042 Moscow SOVETSKAYA TORGOVLYA  
in Russian 19 Jan 89 p 1

[Article by SOVETSKAYA TORGOVLYA economic commentator Yu. Gryzanov under the rubric "Economic Survey": "The Plan is Covered—But There Are Shortages and Lines in the Stores as Before"]

[Text] State orders for retail sales for 1988 by state and cooperative trade were 100.9 percent fulfilled, or at a surplus of 3.2 billion rubles. The amount of sales turnover was 366.2 billion rubles. The sector thus reached the threshold defined for 1988 by the five-year plan. The growth in sales last year was 25 billion rubles in actual prices, or 7.3 percent, and is 42 billion rubles since the beginning of the five-year plan.

Both the organizations of state trade and consumer cooperatives successfully handled their plan targets for the past year overall. They were fulfilled by the majority of the collective trade organizations of the union republics, with the exception of Georgia, Azerbaijan, Armenia and Turkmenia. A large contribution to the development of sales turnover last year and for the past three years of the five-year plan overall was made by the trade collectives of Belorussia, Lithuania, Latvia, Estonia, Moldavia, Kirghizia, Kazakhstan, Moscow and Leningrad.

Many goods remain in short supply, however, and there are lines in the stores, which is evoking the dissatisfaction of consumers. Many tasks in radically improving trade support to the population have yet to be resolved. Skill, initiative and persistence are still being insufficiently manifested in particular in improving trade technology and the development of the material and technical base, which is affecting the appearance of lines for the purchase of goods. Interruptions in the trade of goods that exist in sufficient quantities and inefficiency in the maneuvering of commodity resources are still being tolerated.

Many wholesale organizations still do not provide the full circle of commercial services in the supply of essential goods to retail trade enterprises.

USSR Goskomstat reports—Retail Sales Turnover by Union Republics in January-December 1988 %

|                 | 1      | 2     | 3    | 4     |
|-----------------|--------|-------|------|-------|
| USSR            | 366158 | 100.9 | 3158 | 107.1 |
| RSFSR           | 201547 | 100.5 | 907  | 106.8 |
| Moscow          | 25520  | 104.5 | 1088 | 105.8 |
| Leningrad       | 9201   | 103.3 | 293  | 104.7 |
| Ukrainian SSR   | 61361  | 100.7 | 401  | 107.2 |
| Belorussian SSR | 14019  | 103.4 | 466  | 106.6 |
| Uzbek SSR       | 15077  | 101.4 | 207  | 109.1 |
| Kazakh SSR      | 17503  | 101.7 | 298  | 107.0 |
| Georgian SSR    | 6022   | 94.5  | -351 | 109.3 |
| Azerbaijan SSR  | 5141   | 95.1  | -265 | 107.1 |
| Lithuanian SSR  | 5874   | 108.6 | 465  | 110.2 |
| Moldavian SSR   | 4934   | 104.1 | 192  | 108.1 |
| Latvian SSR     | 4874   | 106.1 | 280  | 108.4 |
| Kirghiz SSR     | 3713   | 103.9 | 141  | 110.9 |
| Tajik SSR       | 3377   | 101.5 | 52   | 108.4 |
| Armenian SSR    | 3524   | 97.2  | -101 | 102.9 |
| Turkmen SSR     | 3048   | 99.6  | -12  | 110.2 |
| Estonian SSR    | 3051   | 105.5 | 159  | 107.6 |

1. Actual, millions of rubles. 2. Percentage plan fulfillment. 3. More or less (-) sold than plan, millions of rubles. 4. January-December 1988 in percentage of January-December 1987 (in comparable prices).

The considerable reductions in the reserves of goods at trade organizations that has taken shape in connection with the increase in the effective demand of the population requires purposeful work with industry to seek out additional opportunities to produce them. The delays that continue to occur in the conclusion of contracts for the delivery of goods by industry to trade in the amounts envisaged by the plan for 1989 are especially intolerable under these conditions. This work must be completed in the shortest possible time. Strict monitoring of the application of the entire arsenal of economic sanctions should be established over the course of fulfillment of deliveries under agreements that have been made, since last year industrial enterprises undersupplied trade organizations with goods of some 6.7 billion rubles versus the plan calculations.

Work must be expanded in all directions on the more complete utilization of internal reserves for growth in retail turnover and raising earning power. Various forms of internal cost accounting—team, family and lease contracts—must be incorporated for this at enterprises and organizations. Team cost accounting was developed noticeably last year. Some 40 percent of the collectives of stores, cafeterias and cafes were working under various forms of contract by the end of last year, including about a thousand collectives on lease contracts.

The results of the past year testify to the positive influence of the new mechanism of economic operation on the economic results of the work. Enterprises of the USSR Ministry of Trade obtained some 611 million rubles of income beyond the plan over just the last nine months, expenses on circulation were reduced by 255 million rubles, the shortage of internal working capital

that had existed before was completely eliminated, and overdue indebtedness on bank loans and payment documents to suppliers was practically eliminated.

One important condition of the resolution of the task of a radical improvement in trade support to the population is the further improvement of the material and technical base. A series of major new trade facilities went into operation last year, and its warehouse network was appreciably reinforced. Distribution refrigeration plants went into service in Sumgait, Syktyvkar, Mogilev and Kislovodsk along with wholesale bases in Arkhangelsk, Baku and Gomel and eight major warehouses in oblasts of the Russian Federation, Georgia, Lithuania and Tajikistan with a total area of over fifty thousand square meters.

The funds allocated for the development of the material and technical base are still being assimilated in unsatisfactory fashion, however. According to preliminary data, the limits of capital investment allotted for the "Trade and Public Catering" sector were only 90-percent utilized. The level of assimilation of the funds allocated through the five-percent deductions for capital investment for housing construction is even lower, and they have only been utilized at 87 percent.

The ministries of trade of the union republics and their local organs must pose more sharply questions of the construction of trade facilities as one of the most important sectors of the development of the social sphere. The work volumes were carried out especially unsatisfactorily last year by subcontractors in Azerbaijan, the Ukraine and in Uzbekistan.

Turnover in public catering increased by 1.4 billion rubles, or 49 percent in comparable prices, last year. It totaled 30.7 billion rubles, which is 2.7 percent more than that envisaged in the plans of the enterprises. The output and sales volume of their own production output by public-catering enterprises also overfulfilled those projected in the plans by 2.4 percent. The collectives of public-catering organizations of all the union republics except Azerbaijan and Armenia successfully handled the fulfillment of these indicators.

The output and sales volume of public catering products has grown by 14 percent, or 3.1 billion rubles, over the last three years. Collectives of enterprises and organizations in public catering in Latvia, Belorussia, Lithuania and Kirghizia, where the growth in output and sales of their own product output increased by 23-26 percent, have achieved the highest rates of development.

At the same time, the development of public catering still lags markedly behind requirements for its services. The needed rate of growth in its turnover compared to retail sales of foodstuffs has not been ensured. Steps will thus have to be taken in the new year to accelerate the development of this important subsector of trade and to industrialize its production.

The retail sales plan for 1989 envisages a total turnover of 385 billion rubles. This is 6 billion rubles more than that envisaged by the calculations of the five-year plan. The increase compared to the sales volume achieved in 1988 should total 5.1 percent. The rhythmic operation of all levels of the sector along with the fulfillment and overfulfillment of the plans that have been adopted at each trade enterprise and organization and the mobilization of all existing reserves must be ensured from the very first days of the new year to provide for the projected increase.

#### **BeSSR Chairman Discusses Consumer Goods Shortages**

18270045 Minsk SOVETSKAYA BELORUSSIYA  
in Russian 16 Dec 88 p 2

[BELTA report on remarks by M. V. Kovalev, chairman of the BeSSR Council of Ministers, at a meeting with workers of the "Minsk Tractor Plant imeni V. I. Lenin" Association: "Moving Forward Persistently on the Path of Restructuring"]

[Text] Working under the conditions of cost accounting and self-financing, the many thousands in the collective of the "Minsk Tractor Plant imeni V. I. Lenin" Association are completing their annual target. In the 3 years of the five-year plan, 1,300 tractors above the plan have been turned out. Every fifth one of them is being shipped for export.

Restructuring of the economic mechanism is contributing to the growth of labor productivity and an increase in

profit; 28.5 million rubles of profit above the plan have been acquired in the 3 years. Half of this sum has been deducted for the economic incentive funds, which enable the association to better resolve the many problems of development in the social area.

In just the past 2 years, new health centers, an everyday services house, two dining rooms, a children's cafeteria, and a smokehouse have been opened at the Minsk plant. Construction of housing has been begun, utilizing their own resources.

In a word, just as everywhere else, restructuring is providing new opportunities for the tractor builders, stirring persons to political and labor activity, and bringing the first tangible results. M. V. Kovalev, chairman of the BeSSR Council of Ministers, spoke about this to a meeting of the association's collective recently. It took place in the tractor plant workers' Palace of Culture.

A number of problems were discussed, including the technical level and quality of the output being produced, discipline in making deliveries, and enterprises' economic responsibility for fulfillment of state orders.

A lively and frank discussion concerning the steps being taken in the republic and Minsk to ensure that people's requirements are better met also took place during the meeting.

It seems that a great deal has been done in this respect lately. The republic's comprehensive program to develop consumer goods production and the services field is being carried out persistently. Renovation of many light industry enterprises is under way. New production facilities, including those that are attracting foreign firms, are being developed.

All enterprises, regardless of their specialization and departmental subordination, are now engaged in producing the commodities that are lacking. This year alone, they turned out above-plan goods valued at over 700 million rubles. However, there are still a great many unutilized resources here, including among the labor collectives in Minsk. The output of goods per ruble of the wage fund at nonspecialized enterprises of union subordination in the capital is one of the lowest in the republic.

The tractor plant management was reproached in this connection. This enterprise has great potential, but the indicators are three times lower than for the city as a whole. The republic's comprehensive program has provided for the construction of a special shop to produce consumer goods at the MTZ [Minsk Tractor Plant]. However, the tractor plant employees are procrastinating a great deal in beginning this work.

It was noted in the course of the meeting that the urgency of the problem of providing many industrial and food-stuff commodities not only has not decreased; on the



contrary, it has increased lately. Certain types of complex household equipment—refrigerators, televisions, and a number of other goods—are among those in short supply. Even some of the items which quite recently were in abundant supply are now scarce in the stores: bed linen, washing powders, toothpaste, razor blades and shaving cream, and inexpensive toilet soap, including children's soap.

The unbalanced nature of the consumer market is leading to completely unpredictable situations. Until recently, 4,300 tons of detergents and 1,300 tons of toilet soap were being produced every year in Minsk. This was enough for everyone. Today the sales volume for these commodities has been increased by 1,300 tons, but trade in them is intermittent. People are not confident that tomorrow they will be able to buy what is needed, and for this reason they are taking a little more soap and powder, by the entire case. Industry and commerce have not been able to react to such a sharp increase in demand.

The same thing has happened with confectionery. In spite of the fact that the republic's enterprises have already turned out nearly 1,000 tons above the plan this year, and the volume of sales for candy and caramel in Minsk increased by 500 tons over last year, a shortage has developed here as well.

How do we explain all this? The imbalance in the commodity market, M. V. Kovalev said in response to questions, is to a considerable degree the result of rumors, idle talk and misrepresentation of the facts. The discussion about prices which has been spread in the press probably played some role in this as well. Rumors about a supposed increase in prices agitate the public and unsettle their normal routine. For this reason, it should be stated categorically that work in this direction is being organized in the country in such a way that there will be no revision of retail prices unless the necessary economic conditions are established.

We have also encountered this phenomenon lately, M. V. Kovalev said. Many enterprises are seeking to improve their economic indicators at the expense of the consumer. They are abusing the right granted to them to plan an assortment and set a markup for a new item and when an item is especially popular. This has led to a significant increase in average retail prices in the republic, including for essential goods. We will put this situation in order.

The shortage of goods and services gives rise to different kinds of negative manifestations and serves as a breeding ground for the shadow economy. Those taking part in the meeting sharply criticized the cooperatives in this connection. If a cooperative repairs a television set better than the state repair shop and if it can make something, this is fine, they said. But it is no good at all when instead of a real increase in goods and services, the cooperative members buy up the food and industrial products in

demand and sell them at unjustifiably high prices after minor finishing work on them. Essentially, the cooperatives have proved to be outside the price controls. For this reason, the republic government will instruct the appropriate organs to study this matter and make suggestions.

The workers were indignant when they said that trade has been functioning poorly in Minsk lately. In many stores, the commodities in higher demand are stocked up and sold through the back door, and certain trade employees have even engaged in their resale or, to put it simply, in speculation. Control over trade activity has obviously been weakened.

The chairman of the BeSSR Council of Ministers spoke in detail about what is being undertaken to ensure that the situation is corrected in the very near future and that the public's supply of industrial and food commodities is improved. The republic government has been trying to find the means to increase the resources for Minsk in 1989 to obtain certain goods in critically short supply. Local organs must reason out and implement organizational steps to ensure that any goods in short supply get to the city's working people first of all. It is essential that the opinion of labor collectives be taken into account in resolving these problems.

Materials relating to cases of serious violation of trade regulations are now being generalized. In the very near future, the government will review this matter and take the strictest measures to put things in order.

Proposals are being worked out and will be approved by the Council of Ministers to increase the production of commodities in 1989 to ensure that the list of goods now in the the short supply category is reduced.

The accelerated increase in housing construction has aggravated the situation with respect to building materials and furniture. For this reason, additional means are now being sought to increase the market supply of building materials for next year. The government recently approved a program to increase furniture production. It was worked out by taking into account the renovation and expansion of many enterprises in this sector. Capacities to increase the output of certain types of particularly popular furniture will be increased as soon as next year.

During the meeting with the workers, M. V. Kovalev told of the steps being taken to resolve the housing problem. The republic's housing program targets for 2 years of the five-year plan have been overfulfilled. This year, in spite of difficulties, fulfillment of the plan is expected as well. However, Minsk is lagging behind the pace outlined by the housing program. It is short by nearly 1,500 apartments for the 2-year period. This lag will not be made up this year.

Why did this happen? Chiefly because the city has not been devoting the proper attention to development of the construction base, and it has lagged behind the requirements. There have been other objective reasons as well. It is not easy to make up for what has been missed.

The Belorussian Communist Party Central Committee and the republic government recently defined a group of priority measures in this connection. In accordance with them, builders' demand for prefabricated reinforced concrete, large-panel and prefabricated room units, and other materials will be met in full in this five-year plan. The objective now is to carry out what has been planned.

The events that have taken place in the country's other republics have left their trace. Because of the disruption of deliveries of integral parts, a number of labor collectives have been put in a difficult position. In particular, the Mogilev Elevator Manufacturing Plant cannot ship about 2,000 completed elevators to builders before the end of the year because of this, and this means that a large number of dwellings will not be commissioned. These are the kinds of difficult consequences caused by the smallest disruption in the unified national economic complex.

We are all going through an important school now, M. V. Kovalev said in conclusion, and we are learning to live and work in a new way. For this reason, we have to realize that the forthcoming years will not be easy ones. But we must cope with the heavy burdens of the current stage of restructuring without fail.

## PERSONAL INCOME, SAVINGS

### Average Family Budget, Expenditures Assessed

#### Family Budget Details

18270043 Moscow ARGUMENTY I FAKTY in Russian  
No 3, 21-27 Jan 89 p 4

[Interview with Social Statistics Administration Deputy Chief N. Gorbey and USSR Goskomstat [State Statistical Committee] Bureau of Sociological Research Chief N. Belova: "The Family Budget"]

[Text] *The data published in the anthology "National Economy of the USSR" on the income and expense patterns of families are eliciting many questions from our readers. This breakdown is in no way similar to our own figures... 33.3 percent of income goes for food!... This cannot be. It is a sham!... the readers declare categorically. Some 50-60 percent goes for food... Calculate for yourselves!*

*We asked Deputy Chief of the Social Statistics Administration G. Gorbey and Chief of the Bureau of Sociological Research of USSR Goskomstat N. Belova to relate how the family budgets are figured.*

[Question] With all of the dislike of average indicators and numbers, we would like to know in any case what family you consider average.

[Gorbey] It is difficult to single out such a family. It might really not even exist. Say the average family in number of members consists of 3.2 people. That cannot be in life. For average per-capita income among manual and office workers, the average family is that in which each member gets 143 rubles a month, but after all, the number of members in it could differ. We are not limited to average values in our research, however. We study the distribution of families (and the population overall) by income groups, by number of family members, by the number of children and dependents and by various other traits.

[Question] And how are the income and expenditures of the family specifically calculated?

[Belova] Each family we are researching conducts a budget according to our instructions. Absolutely all income and expenses are entered in a special notebook every day. Our economists check these entries and the trustworthiness of the earnings each month (according to information obtained from the enterprises) along with the balance of income and expenses.

[Question] Family income is that which we have on hand, i.e., that which can be spent. Is that how you understand and treat it?

[Gorbey] Not quite. There are small nuances here. Wages enter income with taxes counted in, but they are entered on the expenses line. Pensions, allowances and stipends paid to family members and subsidies for sanatoria passes also go here. Say a person paid 30 rubles for a pass that costs 100 rubles; we then include 70 rubles in income, since a different family bought that pass for full price.

Subsidies for the maintenance of children in kindergartens and nursery schools and income from private subsidiary farming are also taken into account. That which a person produces and consumes himself is valued at retail prices, and that which is sold in the market is naturally valued at market prices (with deduction of spending on business needs—purchase of fertilizers, tools, spending on feed, etc.). In general, all family receipts.

[Question] Why do you consider subsidies for the maintenance of children in children's institutions?

[Gorbey] To ensure a unity of the principle of approach to all families. There are families, after all, in which the children are educated at home, and these families do not get these subsidies, i.e., their income is less.

[Question] And now the expense side of the budget.

[Belova] Absolutely all family expenditures are included here—for the procurement of clothing, food, various payments, charges for services, savings, etc.

[Question] Food expenditures according to your data are 33.3 percent. This caused the greatest number of reader reprimands. How did you get this number?

[Gorbey] If you have a depiction of what the income that is taken into account takes shape from, the bewilderment will be less.

The most widespread error is to relegate food spending to wages, forgetting that there are other sources of receipts, as we have already mentioned. Spending on food totals 42 percent in relation to average wage payments (without deductions for taxes).

Earlier, through 1986 inclusive, data were cited in the statistical yearbooks with a regard for non-paid benefits obtained from social-consumption funds. This signifies that state spending on health care, education and housing subsidies were included. When we add these social funds, the share of expenses on food is naturally reduced.

[Question] And what is the aim of including spending from social funds in the family budget?

[Gorbey] Our data are compared with analogous foreign data, where health care, education and housing are for the most part paid.

[Question] When will all readers have access to differentiated data on family budgets?

[Gorbey] Limitations on the publication of statistical data on family budgets have now been removed for the purpose of expanding glasnost. Our Bureau of Sociological Research, which operates on cost-accounting principles, is beginning the publication of that data. The Information-Publishing Center of USSR Goskomstat will publish the statistical data "The Incomes and Housing Conditions of the Population" and "The Distribution of Workers by Working Regimen and Conditions and Forms and Systems of Pay" among many others in 1989.

#### Goskomstat Statistics

18270043 Moscow ARGUMENTY I FAKTY in Russian  
No 3, 21-27 Jan 89 p 5

[USSR Goskomstat [State Statistical Committee] table:  
"Income and Expense Patterns for Families of Manual  
and Office Workers"]

[Text]

#### Income and Expense Patterns for Families of Manual and Office Workers %

|  | 1980 | 1985 | 1987 |
|--|------|------|------|
| Aggregate income per family member per month; rubles   | 121  | 135  | 143  |
| —including, in percent: wages of family members  | 80.4 | 79.2 | 79.1 |
| —pensions, stipends, allowances, subsidies for passes to sanatoria, rest homes, pioneer camps and the maintenance of children in pre-school institutions | 9.1  | 9.6  | 9.3  |
| —income from private subsidiary farming  | 3.5  | 3.3  | 3.3  |
| —income from other sources   | 7.0  | 7.9  | 8.3  |
| Family expenses as a percentage of aggregate income: —for food   | 35.9 | 33.7 | 33.3 |
| —for non-food items  | 30.3 | 31.0 | 31.0 |
| of which:  |      |      |      |
| —fabric, clothing and shoes  | 18.5 | 18.1 | 17.1 |
| —furniture, cultural and consumer items  | 6.5  | 7.1  | 7.4  |
| —passenger cars, motorcycles, bicycles etc.  | 1.7  | 1.6  | 2.1  |
| —alcoholic beverages   | 3.6  | 3.0  | 2.6  |
| —cultural and consumer services  | 10.3 | 10.0 | 10.1 |
| —of which, payments for apartments, municipal services and upkeep of private homes   | 3.0  | 3.0  | 3.0  |
| —taxes, charges, fees  | 9.1  | 9.4  | 9.5  |
| —other expenses  | 5.2  | 5.1  | 5.1  |
| Family accumulations (growth in cash on hand, deposits to Savings Bank institutions etc.) as percentage of aggregate income                              | 5.6  | 7.8  | 8.4  |

## Nuclear Waste Disposal Issues Debated

### Import of Radioactive Waste Alleged

18220040a Moscow LITERATURNAYA GAZETA  
in Russian No 2, 11 Jan 89 p 9

[Article by Boris Kurkin, USSR MVD Academy docent, candidate of juridical sciences: "So Where do we Store Nuclear Waste?" For a translation of the Semenov interview in LITERATURNAYA GAZETA 28 December 1988 see FBIS DAILY REPORT: SOVIET UNION, FBIS-SOV-89-001, 3 January 1989]

[Text] In LITERATURNAYA GAZETA of 28 December 1988 we published a conversation with deputy chairman for the state committee for atomic energy utilization [GKAE] B. A. Semenov regarding the burial of spent nuclear fuel in the USSR ("Where Nuclear Waste Goes"). Responses to that conversation have begun to reach the editorship. We publish one of the letters.

B. A. Semenov's answers elicit a number of new questions. Let us begin with comrade Semenov's assertion that the information regarding the agreement in preparation for the burial of radioactive waste (RAO) from the FRG in the USSR "does not correspond to reality."

However, ARGUMENTY I FAKTY (No 35, 1988) published academician N. Ponomarev-Stepnoy's statement on the type of creation compatible with the FRG's firms' new high-temperature reactor with helium cooling (VTGR). The academician noted that in this case, the Soviet side will take upon itself the supply of Soviet nuclear fuel in the FRG and return the spent fuel for processing and burial.

The contract on the construction of the VTGR reactor had already been signed, as the general director of the International Atomic Energy Agency [IAEA] Kh. Bliks reported in the pages of PRAVDA (18 November 1988).

Thus, if the contract was concluded under the conditions which N. Ponomarev-Stepnoy discussed in ARGUMENTY I FAKTY, it means that radioactive wastes from AES (atomic energy stations) in the FRG will begin to come to the USSR.

It is necessary that GKAE publish the text of all effective agreements with the FRG and other countries. The public must know that international cooperation is taking place between the USSR and foreign countries in the area of nuclear energy; all secret departmental diplomacy is inadmissible by considerations of public safety.

And yes, you will agree that the contract's conditions are highly unusual. Imagine that we were selling apples while obligating ourselves to take back the cores.

As Kh. Bliks emphasized in PRAVDA, "all nuclear fuel which the USSR sells to other countries will be collected by it after its utilization at the AES." It remains to be asked of B. A. Semenov, "to what other countries are we selling nuclear fuel?" The question also arises, if nuclear energy in the world and in CEMA develops in the future, then will our country actually take on the role of the world's reservoir of radioactive wastes?

It must be noted that B. A. Semenov is careful to hide where in the territory of the USSR the means for re-energizing spent nuclear fuel and its burial place are (by the way, they do not make a secret of this in the West). It is known that fuel which is unregenerated and unburied is an enormous radioactive danger. In light of this, it should be known which soviets of people's deputies should agree with the fact of the construction of these reservoirs? This is an important thing to know, since the country's political system is undergoing perestroika, and the soviets are the organs responsible for the regions' ecological condition and the expression of the interests of the populations whom they represent.

And now, directly relating to the problem of storage and burial of radioactive waste. None of the specialists knows where and how to store RAO (RAO with a high specific activity is under discussion). P. L. Kapitsa, N. A. Dollezhal, Yu. I. Koryakin, V. A. Legasov, L. A. Ilin and many others have written on the undecided nature of this problem. And B. A. Semenov spoke in his interview only of "advanced technology" of enclosing RAO in high-melting glass.

Alas, there are no appropriate industrial technologies for spent fuel, but we are already accepting the waste of foreign nations (a reminder that the nuclear energy capabilities of the member-nations of CEMA and Finland, from which we already accept RAO, is equal to about 30 percent of the nuclear energy capabilities of the USSR).

It should be kept in mind that projects built by human hands have a life span of thousands of years, while RAO formed during a nuclear reaction has a life span numbered in millions of years. Therefore, "leakage" of RAO to the "exterior" at any burial site (even a highly reliable one) is unavoidable. Also unforetold is the behavior of geological formations in which the burial of RAO will take place. Essentially, this is death in temporary storage.

For this very reason, the West German specialists consider unacceptable the RAO burials in seams of rock salt in Gorleben (there is nowhere else to store them), and that is why, perhaps, burial abroad is the FRG's only way out of the situation.

Incidentally, B. A. Semenov's optimism with regard to methods of glass encasement of highly radioactive RAO should be noted. However, it cannot be forgotten that in his evaluation of the Chernobyl RBMK reactor (LITERATURNAYA GAZETA 11 June 1986), B. A. Semenov



radiated no less optimism, saying that "the specialists had no problem (with the reactor)." However, as is apparent from the publication of S. N. Ushanov, "Disagreement is Needed" (LITERATURNAYA GAZETA 20 July 1988), extremely serious construction defects were detected under experimentation at least 10 years ago.

But the issue is not only the realistic control of the activities of atomic departments in matters of RAO storage and burial. It is important to provide for their safe transportation. The distances from AES's of the socialist, let alone the western countries to the storage sites must be thousands of kilometers, with the transport routes lying in heavily populated regions. Knowing how frequently accidents occur, the question arises: how and by what means can we guarantee the safe transportation of RAO?

As we see, questions and more questions...

#### **Gosatom Official Denies Storage Problems**

18220040b Moscow LITERATURNAYA GAZETA  
in Russian No 7, 15 Feb 89 p 9

[Article by B. A. Semenov, first deputy chairman of the USSR State Committee for Atomic Energy Use: "The Departments Concerned Don't Have to be Taught"]

[Text] Dear editorial board!

I want to respond right away to comrade B. Kurkin's letter (LITERATURNAYA GAZETA No 2, 1989) about the issues raised by your correspondent in a conversation with me (LITERATURNAYA GAZETA No 52, 1988), following sequentially the basic questions raised in it.

Although comrade Kurkin for some reason casts doubt on my words, I am once again forced to assert that the information regarding the agreement supposedly in preparation about the burial in the USSR of radioactive waste (RAO) from the FRG does not correspond to reality.

The general agreement, which has already been signed, contains no mention of RAO.

For my own part, I would add that if the firms of the FRG (or another country) were to agree to purchase our uranium and our services for its enrichment, and in addition, paid us well for accepting our fuel (not RAO) back, then such a composite deal would be completely justified from the point of view of economics (this system of services, for a single 1,000 Mwt reactor would yield about one billion dollars over 30 years), and of non-proliferation of nuclear weapons, as the remaining uranium (about 95 percent) and the plutonium formed would be returned to the Soviet Union.

Citing once again the PRAVDA interview with H. Blix, who mentioned that all the nuclear fuel which the USSR sells other countries is collected by it after use by an AES,

the author concludes that "it remains to be asked of B. A. Semenov to what other countries are we selling nuclear fuel?"

Why ask, when I had already answered that question in a conversation with LITERATURNAYA GAZETA 28 December? We do not sell our nuclear fuel (with the exception of a number of small shipments to research and development reactors previously sold by us) to any countries other than those indicated in the answer (countries of CEMA and Finland), and we don't sell it without taking back the returned fuel.

Later, the fear is expressed that as nuclear energy is developed, our country will then take upon itself the role of the world's RAO reservoir. I want to say that such fears are connected to poor information and conjecture in the field of the cycle of nuclear fuel in the world market, where today our share (on the Western market, excluding Finland), in storage and processing of fuel is zero, and in enrichment services rendered, about four percent.

Later, I am accused of carefully hiding "where, in the territory of the USSR, the means for re-energizing spent nuclear fuel and its burial place are." In my response to an analogous question from your correspondents I explained that we have still not yet reprocessed nuclear fuel on an industrial level, and its corresponding burial of wastes, therefore, the majority of spent fuel (heat releasing elements) is preserved in cooling ponds—reservoirs.

I also mentioned that we have waste reprocessing technology and, naturally, reprocessing for the fuel itself. I might add that we also have a successfully operating industrial pilot plant at which this technology was developed. I did not name the location of the site where wastes are sometimes stored temporarily for the reason that it is located on the territory of a defense project. I hardly think that anyone would insist on announcing the location of such projects, although our attitude toward that sort of information is constantly changing. Incidentally, this site was selected in a difficult period, in the late 40's, when the enormously important task of eliminating the U.S. monopoly on nuclear weapons in a short period loomed before us. I think that this will answer the question, "which of the soviets of people's deputies would have agreed to the fact of these reservoirs' construction."

Comrade Kurkin questions my assertion that reliable technology exists for the processing and burial of radioactive wastes, fretting that, nevertheless, we already accept such waste.

The last assertion simply does not correspond to reality. We do not collect the waste of fuel reprocessing (we accept spent fuel elements), and their storage does not present major problems, and is done all over the world.

And finally, the assertion that "none of the specialists knows where and how to store RAO." In response, I cite

the statements of IAEA general director H. Blix on this subject. They are from the same interview quoted by comrade Kurkin.

In response to the question of RAO burial, H. Blix states: "I am convinced that there is a difference of principle in the assessment of the seriousness of this problem: on the one hand, as we say, by the man on the street, and on the other hand, by the expert, the scientist, who is extremely familiar with the problem. The average person thinks that the problem has not been solved and it is hard to say whether it will be solved in the future. The experts who study this problem know that at present there exist no scientific-technical barriers on the path to resolving this problem. There are different technologies, including a technology already developed for disposal of even highly radioactive wastes."

Obviously, comrade Kurkin must figure out which category he belongs to: "the man on the street" or the "experts."

In connection with this, I would like to note the scientific level of this specialist on all matters of nuclear energy and its fuel cycle, as vividly demonstrated in his article, "Death in Temporary Storage," and the article on the problems of nuclear wastes in the newspaper MOSKOVSKIY KOMSOMOLET No 259, 10 November 1988, as well as some incredibly complex publications in the journals ZNANIYE-SILA, YUNOST and a number of others. The uninitiated reader may get the impression that the author is cleverly manipulating the complex nuclear terminology, broadly quoting Soviet and foreign sources. The specialist is amazed by the author's self-assuredness, risking going into print with smashing pseudo-scientific articles which clearly demonstrate, to put it mildly, his low competence in a field about which he evidently reads a great deal, understanding far from everything, despite taking it upon himself to shame and teach the specialists and "departments concerned."

I would note that comrade Kurkin belongs to a group of, I would say, un-constructive critics of atomic energy, whose only goal is to accuse, to cast doubt on anything

and everything connected with the development of atomic energy, proposing nothing in its place (except for a program of energy conservation, which, while important, naturally does not solve the problems of meeting the country's energy demands), and not examining the well of problems associated with the use of alternative energy sources.

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*From the Editors: Our mail contains many letters concerning the country's development of nuclear energy in general and storage of RAO in particular. This pointed and worrisome issue concerns practically everyone. We at LITERATURNAYA GAZETA have decided to accept Comrade Semenov's suggestion on conducting a "roundtable" on these issues, with the participation of scientists, specialists, writers and—via correspondence—readers.*

## PIPELINE CONSTRUCTION, OPERATION

### Georgian Institute Develops Seismic Design Method

18130037 Tbilisi KOMUNISTI in Georgian  
13 Nov 88 p 4

[Unattributed article: "Seismic Stability"]

[Text] A method for calculating underground trunk pipelines in seismic regions has been worked out in the Georgian SSR Academy of Sciences Institute of Construction Mechanics and Seismic Stability. It will help in designing underground lines in zones where seismicity exceeds 8 points.

By experimenting, specialists obtained more than 18 forms of natural oscillations of trunk pipelines, by which they can exhaustively determine their action when the soil shifts. It was announced in Gruztransgaz that this method will be utilized extensively in the designing of gas line routes, the construction of which is expanding in the republic.

## LABOR

### Bunich Commentary on Dilemma of Rising Co-Op Prices

18280069 Moscow ARGUMENTY I FAKTY in Russian  
No 7, 18-24 Feb 89 p 5

[Article by P. Bunich, corresponding member of the USSR Academy of Sciences: "The Cooperative and Prices"]

[Text] A decree has been adopted entitled "On Measures for Eliminating Shortcomings in the Existing Practice of Price Setting." A special section in it is devoted to price setting for products of cooperatives. This is no accident. For cooperative prices are rising rapidly on an unhealthy basis, they rob us as consumers and they deepen social tension which is bad enough as it is.

But still one is troubled by the idea of administrative regulation of these prices: if we change over to a normal economy, why the dictatorship?

[signed] L. Yepishin, Lipetsk

Since there were quite a few letters like this, we decided to give a response to them. Corresponding member of the USSR Academy of Sciences P. Bunich comments on this decree.

Yes, many cooperatives provide for incomes to exceed many times over the normal earnings and development of production. The cooperatives themselves are obstinate. One cannot get by without satisfying their appetites. Since economic measures for regulating excessive incomes, unfortunately, are long overdue (cooperatives do not pay turnover tax or payment for labor resources, their profit tax is insignificant and incompatible with their high individual earnings), we need administrative regulators. Suffice it to say that deductions from net output from cooperation into the budget amount to 3 percent as compared to 43 percent for state enterprises.

The new legislation strives to put a check on the race of cooperative prices. If the cooperators resell the goods obtained in retail state trade without any kind of processing, of course, they are not permitted to raise the price. And the introduction of maximum increments, which is in principle envisioned by the Law on Cooperation, is quite justified. If the cooperators begin to purchase state raw material without coefficients that increase prices and sell their own items at prices the market will bear, this will also lead to unearned income.

I should like to fully support the idea of making state agencies—state inspection teams for the quality of goods and trade and the sanitary and epidemiological service—responsible for control over the quality of products and the sanitary-hygienic condition of public catering cooperatives and also foodstuffs that are produced. At the same time, for purposes of democratization of economic

relations, the draft of the Law on Product Quality and Protection of the Rights of the Consumer grants enterprises the right to register complaints about decisions adopted by state agencies for quality control of products to the Gosarbitrazh. It is especially important that the cooperative prices are to be reduced on the basis of the development of cooperation, the state sector, and equal competition among them.

But there are a number of problems whose solutions do not seem convincing. We are faced, rather, with illusions, confusion, a return to outdated methods of control, and inconsistency.

The first problem: the cooperators concluding agreements with state enterprises are changed over to state supply of products that are not in short supply, which are sold to them without coefficients to raise the prices under the condition that the products are also sold at state prices.

At the same time it was said that goods in short supply would not be sold to them and lists of these would be drawn up by the ispolkoms of the local soviets. These comprise a large number if not all of the goods.

This means that the cooperators will be left, as before, with self-supply: acquiring goods that are in short supply on the kolkhoz market, producing them themselves, "perfecting" state leftovers, finding goods at auctions or in wholesale trade stores, illegally purchasing raw materials that have already been purchased by state enterprises... As a result they will increase expenditures but will cover them by increasing prices, and everything will return to its "vicious circle." The prices will remain excessively high, not under state control, and the shot at a solution will turn out to have been a blank. Herein, in my opinion, lies the main weakness, the ineffectiveness of the "new" regulation of cooperative prices. A reduction of these can hardly be achieved without changing over to wholesale trade in means of production, but not a word has been said about this.

The second problem: cooperative public catering is being changed over to the prices used at state restaurants. The prices are established in terms of the expenditures. But the expenditures in cooperatives are greater than they are in state enterprises. They acquire meat, sour cream, and so forth (at least this is what is assumed) at kolkhoz market prices. It is impossible to monitor the level of these prices and therefore there is nobody to stop the cooperators from increasing the production costs, and the state prices can contain these prices no better than a spider web can hold an elephant.

The prices at cooperative restaurants will not decrease until they begin to be supplied by the same state trade network and there is a surplus of public catering points with the inevitable useful cohort—competition.

The third problem: in the decree it is suggested that leaders of state enterprises be made responsible for the correctness of the determination of expenditures on wages in the estimates of the work and services of the cooperatives, and the USSR banks are to provide control. It thinks that if it is necessary to verify expenditures it should include all items and not just wages. But the main thing is that it is necessary to introduce *khozraschet* in the state sector, so that there will be no temptation to pay anybody too much.

A number of enterprises, above all rental ones, are coming closer to non-normative, free *khozraschet*. But people everywhere are exerting every effort to hold this up: orders with rejections are falling on us like rain. Until there is *khozraschet* control the administrative control will be in full force, with interruptions. The only thing it will do is make the leaders of state enterprises afraid of spending development funds to pay cooperatives and will impede them or lead to a breaking apart of the state's partners. Life shows that the rules of management, which are not responsible for the elementary requirements of an intelligent theory of management and are presented unspecifically, have been and are being violated practically all the time. Incidentally, in terms of control we have long occupied first place in the world. Add to this state receiving which employs several tens of thousands of people.

According to the draft law on product quality and protection of the rights of the consumer, state receiving, by a decision of the USSR government, will be introduced only at enterprises that do not provide for stable quality of the most important national economic products. We have now invented a unified statewide price control system. Banks and financial agencies are taking on new control functions... Will not old management methods lead to a situation where the control apparatus grows to immense proportions, takes people away from production, strangles initiative, and spends money?!

The fourth and last problem: all the earmarked measures proceed from the idea the lower the prices of the cooperators the better. But this is not always the case. I shall risk expressing an unpopular viewpoint, but for a number of kinds of cooperative activity "surplus" of prices is a minimum incentive for expanded reproduction. If this is removed the cooperators will stop working and the consumers will be left without goods. Therefore the mechanical course toward suppressing any kind of increase in cooperative prices is a course toward stagnation. This same problem arises with respect to "beheading" some of the prices in the state sector. The advantage from this action is fraught with paralyzing the interests in growth and updating of products, the prices of which will be depressed with insignificant changes (the very concept is indefinite and gives justification for complete voluntarism).

In a word, the reader is right: the less the collectives are ordered what to do, the more they are responsible for themselves, the better they work, and the lower the prices.

### Labor Tension Between Yaroslavl Vietnamese Workers Noted

18280068 Moscow TRUD in Russian 15 Feb 89 p 3

[Article by Ye. Zhurabayev, TRUD special correspondent, Yaroslavl: "Vietnamese in Yaroslavl: Their Life and Work"]

[Text] Last summer a militiaman was knifed. He died in an effort to detain a black marketeer who was selling alcoholic beverages on the street.

The criminal came to this city on the Volga after crossing 8,000 kilometers. He turned out to be 26-year old Lyu Van Kyo, from Vietnam. Naturally, he did not come to Yaroslavl thinking that he would commit murder. He came to work at the combine for large-panel house building....

This tragedy aggravated relations between the local youth and the representatives of the fraternal country. Youngsters began to attack Vietnamese working at the four enterprises in the city. Although after a while feelings cooled off, their echoes are still being felt, the more so since there are plenty of reasons for conflict situations at work and on the outside....

Currently some 2,400 Vietnamese citizens work in Yaroslavl. This is a drop in the sea compared to the 650,000-strong urban population.

However, as you can well understand, the guests did not remain unnoticed. The reason was not that, at first, the local press wrote about them quite frequently. Unfortunately, these publications were distinguished by their general statements and did not always provide specific information about the newcomers, their customs and characteristics. People began to look closely at the guests, and when time came to spend the money they had earned rumors began to accuse the "new arrivals" of worsening the hunger commodity in the oblast stores.

Indeed, according to G.V. Chelnovoka, deputy chief of the Yaroslavl Trade Administration, the store workers are complaining that the Vietnamese are making extensive purchases of soap, student notebooks, various types of electrical appliances, sewing machines, and many others. For example, whereas in the past here sales averaged some 1,000 fans annually, currently they average 15,000. The lists of commodities in short supply became longer, triggering a chain reaction: the Soviet consumers as well began actively to purchase objects for future use.

Well, this is human: taking into consideration the exceptionally difficult situation prevailing in their homeland, the Vietnamese try to ship as many goods home as they can with the money they have earned, including some for resale. The wooden containers which they make before their final departure are big enough to contain an entire Moskvich. Furthermore, like a steady stream, parcels are

being sent to Vietnam through the mails. Living economically and displaying a commercial streak, the Vietnamese manage to procure for themselves also objects which are in very short supply, such as imported sewing machines, Saratov refrigerators, pressure cookers, and many others.

Nonetheless, to accuse the Vietnamese workers for all of our "store difficulties" would be unfair. For example, it is difficult to find inexpensive soap not only in Yaroslavl but in many other cities where no Vietnamese has ever gone. And what about the semi-bare shelves of the meat and dairy departments? Such fast-spoiling products cannot be shipped to Vietnam. The entire problem lies in the overall imbalance on the commodity market.

Now as to the matter of jobs.

"We are quite pleased with our Vietnamese," says A.S. Bashmashnikov, director of the Krasnyy Perekop Industrial Fabrics Combine. "It is thanks to them that we have been able to meet the grave shortage of manpower. Furthermore, their output norms are virtually the same as those of our workers. Currently the combine employs 351 Vietnamese. The number gradually increased, taking into consideration available places in hostels, which does not worsen the housing of our workers. This is a very delicate matter: we must not create any kind of privileges benefiting either our people or the newly hired members of the collective. Solving problems of housing, wages or any kind of social benefits should not give grounds to reciprocal hurts, for otherwise the collective would break down into two separate parts. Even our labor collective council has a Vietnamese representative, although, for some reason, this is not practiced at other enterprises. We tried to see to it that every worker would have a clear idea of the system used in computing wages rather than becoming upset when someone else earns more.

"Nor should we ignore the other friction points," A.S. Bashmashnikov went on to say. "After the murder of the militiaman, which upset the entire city, our Vietnamese workers held a meeting at which they condemned the shame which this criminal brought upon his fellow citizens. However, this scandalous act should not be a reason for looking askance at all the 'new arrivals!' We are making efforts to explain this to the Soviet part of the collective."

Incidentally, as I understood after my talk with G.G. Gabrielyan, Yaroslavl UVD deputy chief, grounds for such a severe crime already existed. For quite some time no serious struggle had been waged here against the reselling of vodka to Soviet citizens by individual Vietnamese. Such clandestine operations, naturally, triggered a great deal of conflicts, one of which eventually ended in tragedy. Now, on the request of the Vietnamese representatives themselves, the city has taken an extraordinary step: the sale of alcoholic beverages to Vietnamese has been stopped. It is

thus that as a result of the illegal actions of individuals, the rights of nearly 2,400 Vietnamese in Yaroslavl were violated.

It seemed as though, initially, the workers who had come from that distant country were received as "foreign tourists." Our rules and regulations were, so to say, mollified in their case. Now, by agreement with the Vietnamese side, the enterprise administration has been given the right efficiently to solve problems of repatriating ahead of time foreign workers for gross violations of discipline on or off the job and for theft of goods. Tedious and frequently inefficient notes issued by the administration have been replaced by actively resorting to the unpleasant but educational measure affecting the entire collective. For example, in the second half of 1988, 38 people were sent home from Krasnyy Perekop ahead of schedule.

However, it is not a question merely of measures of influencing unconscientious people. It is necessary for the Vietnamese people to blend more rapidly within the labor collectives where they will be working for many years, and to become part of them. This presumes understanding of their ordinary needs, and a sensitive attitude toward organizing their work in their new place.

A new nine-story community building on Uritskiy Street has become home for nearly 500 Vietnamese who came to work at the Yaroslavl Motors Plant. Unfortunately, the first thing which strikes here is the incredible lack of space. Thus, in a room measuring 10 square meters, somehow, three beds, bedside stands, a table and a small chest of drawers have been squeezed in.

I talked with Kim Dyn Thang, the head of the Vietnamese workers at the YaMZ, and with his Vietnamese colleagues. They said that their living conditions were quite difficult. For example, the shower room had not worked for 6 months and the boys had to go to the public bath. The organization of the leisure time is poor. Trips to nearby cities are infrequent and visits to the plant's pension do not improve the situation.

"Our entire sporting facilities consist of one ping-pong table. There is not even a volley-ball court," said Thang. "We do not recommend to our boys to go to the city coffee shops and movie theaters in order to avoid fighting with the adolescents.... Entertainment projects organized at the plant are quite rare and they are virtually absent on a city-wide scale or, in any case, we are not being invited to attend them."

"In this connection, we turned to the Komsomol gorkom," Nguyen Minh Shon, deputy secretary of the Komsomol Organization of Vietnamese Workers at the YaMZ, said, joining in the conversation. "Nonetheless, so far we have reached no agreement."

"What would be your reaction to the idea of a city-wide interclub?" I asked him.



"This would be good! The boys would have a place to spend their time and, above all, the city would get to know us better. For the time being, what the people are saying about us is mostly bad and virtually no one is aware of the way we work. This is hurtful!"

Yes, many reciprocal grudges have accumulated in this ancient city on the Volga. Judging by everything here, as a whole, the people of Yaroslavl have a poor idea of why "so many Vietnamese are being sent to their plants, the way they work, what they contribute to the enterprises, and the difficulties they encounter." The blame falls also on the local social organizations and the mass information media, which should provide greater information about all of this. Furthermore, before agreeing to the hiring of Vietnamese workers who, incidentally, are making a great contribution to the local enterprises, the city authorities should consider their possibilities and resources and, if necessary, restrict the number of such invitations.

Problems of commodity scarcity and violations of the law greatly darken this initiative, which is beneficial to both sides. The scarcity of channels for human contacts is particularly strongly felt against this background. Yet, it is only by learning about one another that one can become more tolerant and jointly surmount the barriers which separate people.

### Inequities of Wage Leveling Explained

#### RSFSR Scientist Discusses Problems

18280051 Moscow *EKONOMICHESKAYA GAZETA* in Russian No 47, Nov 88 pp 18-19

[Article by I. Bestuzhev-Lada, professor and Honored Science Worker of the RSFSR: "The Wrong Side of Wage Leveling"]

[Text] Moscow—The fact that wage leveling is a direct track into the swamp of stagnation has been demonstrated a thousand times and it has become a truth in the highest instance. For this reason, realizing the disastrous nature of wage leveling for society when spoken in words, those who advocate the administrative-command system of management are attempting to force through its concepts without too much noise. With their right hand they are publicly running through the door, so to speak, and with the left hand they are quietly stealing through the window. But doing this under the conditions of restructuring and the approaching dawn of full cost accounting is becoming more difficult each day. All the same...

#### "If Only They had Left Us Alone"

It is not easy to close a job authorization of 300 rubles each for all members of a brigade, let us say, when it is common knowledge that one person has earned 400 rubles but another one cannot be dragged to 200. If glasnost is to work, the authoritative voices of the labor

collective council and the trade union committee will be heard to tell the "wage leveler" that he cannot escape trouble. But wage leveling can be implemented by more subtle methods, all the same. Let us assume that a worker "ant" is loaded with a heavier and more difficult burden, but sanatorium and health resort conditions are created for the "fidgety dragonfly." And wage leveling of the very first water will result.

Incidentally, it flourishes not only in the field of production, but scientific activity as well. Here is an example with which I am familiar.

Every 3 years over the past four five-year plans, titanic work has been conducted on the comprehensive program for scientific and technical progress. An institute of the USSR Academy of Sciences and a special scientific council made up of over 50 commissions exist for this. Each one of them is staffed by roughly 50 of the country's leading scientists. But for each "leader" (as a rule, an institute director or chief of a department or sector) there are dozens, and even hundreds of "assistants" working on it. Altogether they have been equipped, as it is now customary to say, with thousands and thousands of specialists.

Only here is the question: how have they been "equipped?" It all takes place very simply. They charge the scientist who is a little more productive with writing the so-called first version—a little larger and a little faster. They assign on the same grounds that they send ITR's [engineering and technical personnel] to sort out the rotten potatoes in a vegetable storage area: whoever is more conscientious and less malicious.

Later on the "first version" is licked into shape by another dozen editorial pens—one is a little more highly placed than another (but not always a little more competent, by any means). As a result, it is as if there is nothing to find fault with, but it is also impossible to determine who authored some section of the material that is presented. The final signature—on behalf of the entire institute—is that of the chief. Both the "worker ants" as well as the "fidgety dragonflies" disappear equally under it in the darkness of obscurity. The subsequent incentives either pour forth for everyone who is lucky or "for reasons" extremely remote from their contribution to the work.

But since it is that way, since no matter how much you try there is no response to your work from the top, why try? And here the first versions prepared for the subsequent "polishing" are such that it would be better if there were none at all. According to the principle: "If only they had left us alone, anyhow."

The end result of wage leveling, naturally, is dismal. In the case cited there are programmed materials which have been "called upon" to make up the scientific basis for the country's economic and social development plans. But have you seen many planners who would have

taken all the elements of comprehensive programs into account? Have you seen many plans based on consideration of scientists' forecast data? And it must be honestly admitted: it is not likely that most of these "forecast data" and "comprehensive plans" deserve a great deal of attention at present.

Here it is, the wrong side of wage leveling!

### When Does it Pay Not to Show Oneself?

Until recently the author naively assumed that wage leveling could exist only at the level of the individual worker or a group of workers—well, a production association at most. He was always indignant when he read in the newspapers that some shortsighted obkom secretary or minister ordered that the holes be patched up in an enterprise that was operating poorly and imposed an "indemnity" on one that was operating well. But it was inconceivable to me that precisely the same "things" could be done by the obkom secretaries and ministers themselves.

Here is a little arithmetic problem for a general education elementary school. By the way, the conditions for it were taken from real life and are typical for certain regions. One of the oblasts, let us say, after significantly overfulfilling its plan target, brought its meat production up to 176 kilograms per capita per year, which is nearly three times the average level for the country—about 65 kilograms. A number of neighboring oblasts with roughly the same conditions in all respects are not coping with the targets and produce significantly less meat.

The question is asked: in which oblast is it easier for the people to obtain shashlik? In the first one, of course, where the work results are higher! the naive children reply in a chorus. But not here! respond the teachers from the departments which are in charge of distributing and redistributing the output produced. And they resolutely take the above-plan output away from the oblast, although there is an appropriate decision to leave it in the local area to be distributed at the producers' discretion. At the same time, naturally, they take away what is better and leave what is worse. And here the much less efficient neighbors are feasting on the shashlik delivered to them at a time when the meat's producers are receiving meager soup varieties and sense practically no connection between their harder work and the incentive for it.

Under such conditions, only an incorrigible optimist can develop agricultural production. Knowing full well that even more will be required from him next year. But the "wise" manager in the neighboring oblast will fulfill the plan target "to a T" and quietly chuckle at the naivete of his neighbor, who has no incentive to be optimistic.

The state of affairs in industry is no better, either. There "wage leveling" norms advantageous only for the ministry apparatus often flourish under the guise of

"economic" norms. EKONOMICHESKAYA GAZETA has written about this already in the article "In the Trenches of Office 'Battles'" (No 11). Here is the latest example.

The Omsk Synthetic Rubber Plant decided to "put itself out front" in the good sense of the word. The plant planned to increase its profit from 30 million rubles in 1985 to 40 million in 1988. But alas, nothing helped: the Ministry of the Chemical Industry nearly doubled the deductions in its favor—from 14 to 23.5 million rubles. The profit remaining at the association's disposal dropped by 1.5 million.

But what of the rubles that were essentially taken away from the enterprise? As it is now customary to say, they are for the latest equipment that was not received, delay on the path of further scientific and technical progress, housing construction that was not completed, a kindergarten and polyclinic that was not commissioned, and increased personnel turnover. The manager racks his brains in such a situation over how he will work a little less and receive a little more next year, like his neighbors. Wage leveling!

This is really initiative that is punishable in the most direct sense—by the extortion of millions!

### Wage Leveling and Morality

But has anyone thought about what kind of morality there can be in a city where there is a plant that produces cheese and butter, say, or a candy factory, but where these commodities have not been on sale for a long time? All these items are loaded on railroad cars and sent directly from the plant to an unknown destination. Or there is an enterprise which turns out scarce sewing machines, let us assume, or children's clothing, which is in even shorter supply today, and one has to go to Moscow to obtain them. Is that really a normal situation?

No, I do not advocate a return to feudal disintegration and a natural economy by any means. And I am not for a situation in which each oblast and rayon produces everything it needs for itself and withdraws into itself like a "black hole" in the universe. There is a rational division of labor by regions. Deliveries for national stocks and other republics, oblasts and regions are necessary, of course (in exchange for appropriate deliveries from them). Help is also needed for those in difficulty, not to mention those who have suffered misfortune. But not as a voluntary-compulsory "handout," after all!

It is time to stop high-handed measures and subjectivism and to make a more expeditious transition to an economic policy based on reasonable and fair taxation and on the right to free trade in commodities produced in addition to the state order at contract prices. Either with a neighboring enterprise, a neighboring oblast, or a foreign power. It is necessary to get rid of the barter

between all the depressing noncommissioned officers who are reducing us all to the same level, raking in for themselves what has been produced by others, nipping in the bud any useful initiative, any desire to produce better and more.

Next spring the Congress of People's Deputies will convene and elect the USSR Supreme Soviet. The latter in turn will elect committees and subcommittees. It would be a good thing if one of the committees or subcommittees would devote itself entirely to drafting a law on a definitive transition from arbitrary "sectorial" apportionment to a system of state taxes. Taking into account the special features of each region of the country, each oblast, and each enterprise. Based on the strictest principles of regional, local, and individual cost accounting. And so that not only the opinion of those who impose the taxes, but the opinion of those being taxed is taken into account—otherwise, it will not turn out to be a tax, but a "yasak" [tax in kind imposed upon certain nationalities in times past].

I am convinced that any other way has nothing in common with economic methods of management and is disastrous for the country's economy.

Please consider this article a small part of the social order, as one of the mandates from the voters to the Congress of People's Deputies.

#### **Economist Chernyak Discusses Problems**

18280051 Moscow *EKONOMICHESKAYA GAZETA*  
in Russian No 47, Nov 88 pp 18-19

[Article by V. Chernyak, department head in the Economics Institute of the UkSSR Academy of Sciences and doctor of economic sciences: "It Is a Shame Not to Earn Enough"]

[Text] Kiev—We have lived for many decades under the conditions of universal wage leveling. Now we are making the transition to the principle of a wage that has been really earned. And we are well aware that without this an increase in the vitalization of labor is impossible and that immobilization of the monetary assets of those who are working well to the advantage of those who are working poorly reduces the incentive for intensive labor by both groups.

However, experience attests to the fact that the process of immobilizing incomes is still being continued. The assets earned by enterprises are immobilized through the norms established by ministries not only for sectorial purposes, but to pull up the enterprises that are lagging behind as well.

There are a great many examples of this. I will cite only two. Profit at the "Kovelselmash" [presumably: Kovel Agricultural Machinery Plant] was in excess of 45 million rubles by the beginning of this year. These funds would have been enough to begin operating under the

new conditions of economic operation. However, they decided in the sectorial ministry to leave the plant only 8,325,000 rubles. These funds were insufficient, naturally. The Mukachevo Furniture Combine went through the same situation. The collective here was left with only 18.8 percent of the profit this year.

The economic practice of wage leveling has eaten deep into our psychology. Moreover, a critical analysis of it leads to the conclusion that the system of leveling relationships is not standing still, but it is adapting itself to the economic reform conditions. It is carving its way through the individualization of economic norms, the manipulation of prices, and the conversion of the state order into the state command.

Two levels of wage leveling may be singled out: for the enterprise and the worker. The fate of a considerable number of leading enterprises attests to the fact that working well is often unprofitable. Wages often have been increased at these enterprises to a much lesser degree than the degree of intensiveness.

The growth approach to the assessment, planning and stimulation of labor collectives' activity has become a serious obstacle in overcoming wage leveling and increasing labor vitalization. This principle has deep roots in the past and it has been difficult to overcome it thus far. It may be said that we are still carried by the force of inertia here.

Assessment of enterprises' activity by an increase in production and not by efficient use of resources and the level of economic operation objectively places them in a position where they have no incentive to work intensively. Meanwhile, the manager who is in a more advantageous position turns out to be the one who "concealed" his reserves, not the one who "laid them out." Enterprises have no incentive to use all their reserves. Incidentally, this was also mentioned in the article "Economic Reform—the Foundation of Restructuring" (No 32), and it was described well in the article "The Reserves for Growth" by P. Konstantinov, general manager of the Krivbassruda Production Association (No 40).

Does this mean that we need to change managers? No, it does not. We need to change the conditions of economic operation, although in certain specific cases we need to change managers as well. The same principle of evaluation that prevails in sports should prevail in the economy: whoever runs faster or jumps higher wins, not the one who added more to his previous result.

In a word, in order to overcome wage leveling at the first level an approach to evaluation, planning and stimulation of labor collectives' activity is needed that is based on consideration for the level of economic operation. Application of the norms of potential, the advantages of which have been confirmed by the many years of work experience of the Sumy NPO [Scientific Production

Association] imeni M. V. Frunze, is the realization of such an approach. This experience was described in the articles "Self-Financing—the Path Toward the Development of Initiative" (No 18, 1986) and "How Is Leadership Maintained?" (No 37 of this year).

What is the significance of such norms? In the first place, higher targets are assigned to the one with more reserves. Secondly, a bonus is awarded for the degree to which the norm is reached. Such an incentive system makes it possible to reveal and make use of reserves and to assess the results correctly. After all, it is still customary to consider one who has overfulfilled a plan, without assessing the level of intensiveness, to be a pacemaker. But the one who has come closer to the norm for his potential should be the pacemaker.

This is how matters stand in management of the process of income development at the enterprise level. But what is the essence of this problem at the level of the individual worker? The fact that we need to pay not for taking part in the labor process, but for the result. And we also speedily admit this, by the way, but we often do not carry it out.

Today labor revitalization is running into the narrow limits of wage differentiation within existing occupations. However, payment such as this cannot be called wages. Rather it is a salary which is organized before production, not after it, and it depends on inputs, not on results. The point is that equalization of wage levels has passed ahead of equalization of workers' abilities and the socially valuable qualities—such as diligence, conscientiousness, and application. One need not be a wise man to conclude that we need to equalize work conditions, not results.

The legacy of periods in the past, when the fear of excessively high earnings and the dread of letting the consumer "genie" out of the bottle led to sharp restriction of labor incentives, is still having an effect. The striving to realize a primitively and wrongly understood concept of equality has turned into an intensification of inequality.

The direction which wage reform is about to take is its coordination with the results of labor, not with the process. Wages should have neither a floor nor a ceiling. In this connection, the concept of a "base wage" should disappear, in our opinion, and any restrictions on a valid wage increase should be removed. And they have an effect even in the transition to the second model of cost accounting.

A new system of rates has been introduced since last year in the physical production sectors. But what does our experience indicate? That the work to introduce new wage rates and salaries is being carried out listlessly, without coordination with the principles of full cost accounting and self-financing. Hence the obvious lack of

initiative and incentive in labor collectives. Thus the old principles of wage leveling are being incorporated in the new work conditions.

The reduction of categories is being extended without taking into account persons' skills or the nature and complexity of the work they perform. This is what took place at the Krivoy Rog Assembly and Semifinished Product Plant of the "Dneprosantekhmontazh" Trust. They were about to take the same path in the assembly shop of the "Kievprod mash" Plant. In the "Pishchemash" NPO in Kiev, they have been attempting to carry out the reform in accordance with the principle of increasing earnings "little by little for everyone."

Unfortunately, there are a great many attempts to resolve the problem of accumulating assets for the transition to the new work conditions on an illegal basis. All this is being done to the accompaniment of discussion about an increase in wage rates. Recurrences of the bureaucratic-command methods of management do not lend themselves to treatment easily. Nevertheless, the root of the evil does not lie in these costs of shifting to the new rates. It lies in the leveling approach that has been maintained. For this reason, the opinion persists in many labor collectives that the introduction of new rates should automatically lead to an increase in wages.

In order to increase labor activity it is important to overcome the situation in which a system of stimulation is a one-way street—toward incentives alone. This involves the need to apply sanctions—lowering the category, reducing the rate of pay, using a lower level of a possible salary "bracket," or lowering the position, that is, applying economic pressure. After all, it is no secret that there are quite a few persons who do not want to work better to acquire more. For this reason, we need to begin using a second, negative stimulus—the fear of losing what one has. This stimulus has an effect on everyone.

I want to place the accents correctly. This does not involve a rejection of movement in the direction of equality. A completely natural question arises: just how do we combine a policy of income differentiation with a policy of equality? A model answer to this question is as follows: equalization of the standard of living should follow the line of reducing disruptions in the income level of different occupations (social groups) when there is more thorough differentiation of incomes within existing occupations (social groups) according to work results.

If one fitter, engineer, physician or scientist works five times better than another one, let him receive five times more. In this connection, the task of learning to measure a work contribution is a difficult one, of course. The opportunity to earn must be given to those who want to work and earn. Not only in cooperatives, but in state enterprises as well. Yes, we need cooperatives, but we also need to see to it that a worker is able to earn no less in a state enterprise than in a cooperative.



Public opinion brought up by wage leveling continues to condemn persons who strive to earn as self-seekers, as lovers of "easy money." But it is precisely the honestly earned ruble that should become a subject of pride. It should be shameful to earn little. A low wage is a socially dangerous phenomenon. Wage leveling gives rise to indifference, nonchalance and apathy and drives persons toward parasitism.

**Economist Radayev Discusses Problems**

18280051 Moscow *EKONOMICHESKAYA GAZETA*  
in Russian No 47, Nov 88 p 19

[Article by V. Radayev, candidate of economic sciences:  
"Unshackling Initiative"]

[Text] Wage leveling. How much blame and deserved criticism it has received. But it continues recurring again and again with enviable constancy. Why are the notorious leveling tendencies so persistent?

In answering these questions, we must mention that there are objective trends toward equalization of the working and living conditions of the different groups in socialist society, of course. However, they are prolonged in nature, resulting chiefly from the reforms in the material and technical base of production. In spite of this, the inclination to make these tendencies more absolute and to artificially urge on their development by smoothing over differences in wages has frequently been maintained for years in economic practice.

But this is not the only problem. The quite widespread notions of the kind of social justice which supposedly assumes that there is equality in distribution need to be taken into account as well. And voices demanding that high earnings be limited are still being heard, even if they are acquired by honest labor. Certain supporters of equality are even calling for "redistribution" of personal property. But the point of the matter is not that a person allegedly receives too much money, but whether it has been earned and whether society has received the necessary products and services of high quality as the result of this work.

The circumstance that wage leveling is economically advantageous for certain sections of the working population cannot be underestimated, either.

Thus, equalizing workers' incomes without regard for the results of their labor hampers development of initiative by the best ones. At the same time, it proves to be advantageous for the groups which include less skilled workers who do not want to increase the intensiveness and quality of their work. Payment for work without strict dependence on its intensiveness and quality not only undermines the prestige of honest, conscientious and skilled labor, but also encourages parasitism of social groups on a significant scale. It provides them with

income that has not been earned to a certain extent and enables them to "lose themselves" in the overall masses of workers.

For this reason, steps to reinforce the differentiation of workers' incomes cannot help but meet with opposition from those workers who are not capable of decisive changes in their work and do not want these changes, and those who are satisfied with the existing work and wage conditions.

The position of these groups is strengthened (artificially to a large extent) by the manpower shortage. And we need not wonder why there are often significant difficulties in disseminating the work experience of the true cost accounting brigades and contracting and leasing collectives.

It must be acknowledged that wage leveling affects not only the individual level of payment for labor. It is maintained by the established practice of redistributing the best enterprises' assets to cover the financial losses of lagging production. Retention of this practice corresponds in many respects to the interests of the lagging enterprises' labor collectives. It also helps the staffs of ministries and departments to create a picture that is outwardly favorable in the sectors subordinate to them.

Introduction of the principles of full cost accounting and self-financing has been called upon to put an end to the unjustified leveling redistribution of assets. However, wage leveling is also being maintained under the new conditions, although it has been camouflaged and adapted to the progressive forms and methods of economic operation. The problem of unprofitable production facilities and those operating at a loss, let us say, often is resolved by ministries and departments by means of individualizing the economic norms for distributing profit or income and differentiating the Gosagroprom [State Agroindustrial Committee] purchase prices for products. The growth norms for organizing enterprises' wage fund have not been able to carry out the differentiating role adequately. Only an insignificant part of this fund has been directly linked with production results here.

Wage leveling is not simply a disruption of proportions in distributing production resources and material wealth. In the final analysis, this is always a redistribution of incomes among different sections of the population. And in the course of the complex struggle to restructure society, it has to be taken into account that any attempt to do away with distribution that is primarily equalizing encounters opposition from the social groups concerned with it.

Parasitism and incompetence are behind the concept of wage leveling in most cases. And the equalizing psychology goes farther and deeper than mere distribution relationships. Its adherents are against the diversity of forms in realizing socialist property and the methods of socialist economic operation and maintain a negative attitude



toward members of cooperatives and individuals. Wage leveling has become one of the main reasons that the development of leasing relationships is being held up.

In the words of M. S. Gorbachev, "...we should thoroughly study the problem of eradicating leveling approaches. This is a most important socioeconomic and ideological problem." Only the differentiation of incomes and wages in strict conformity with labor input and each one's personal contribution to the end results of the work of the plant, factory or enterprise can restore and strengthen the weakened system of work motivation and raise the level of the workers' social protection on this basis.

### Wage Restructuring Statistics

18280051 Moscow *EKONOMICHESKAYA GAZETA*  
in Russian No 47, Nov 88 p 19

[USSR Goskomstat [State Committee for Statistics]  
Wage Restructuring Statistics]

[Text] The introduction of new wage conditions at enterprises and in the organizations of different ministries and union republics is still proceeding slowly. As a result, if the current rate at which workers make the transition is maintained until the end of the year, ministries such as the USSR Ministry of Chemical and Petroleum Machine Building, the USSR Ministry of the Machine Tool and Tool Building Industry, and the USSR Ministry of Construction, Road, and Municipal

Machine Building, which planned to convert 55, 86, and 84 percent of their workers, respectively, by the end of 1988 will not complete the schedule for the shift to the new wage conditions. The lag at enterprises of the USSR Gosagroprom has not been overcome, either.

The proportion of workers that have been shifted over is appreciably less in these republics than for the country as a whole: 29 percent in the Azerbaijan SSR, 33 percent in the Uzbek SSR, 36 percent in the Georgian SSR, 38 percent in the Tajik SSR, and 40 percent in the Turkmen SSR and Armenian SSR.

As a result of introduction of the new wage conditions, 2.3 million persons have been released. More than 800,000 of those released have been placed in a job in accordance with their place of work. Some 1.2 million persons have been discharged, and 30 percent of them have been pensioned off. More than 300,000 vacant work places (positions) have been cut back.

According to data from a selective survey, the wages of industrial production personnel have been increased by 12 percent, the wages of workers have risen by 10 percent, and the wages of employees have been increased by 24 percent as the result of introducing the new wage rates and salaries. At the same time, the wages rates of workers were increased by an average of 17 percent and the salaries of employees were increased by 20 percent, which is less than had been planned.

### Progress in Transferring Workers in Production Sectors to the New Wage Conditions (Data as of 1 July 1988)

|  | Actually Transferred as of 1 July 1988 |   | Number of Workers Released<br>(Including Vacancies) |  |
|--|--|---|---|--|
|  | Thousands<br>of Persons                | In Percent<br>of Total Number<br>of Workers<br>Subject to<br>Transfer | Thousands<br>of Persons                             | In Percent<br>of Total Number<br>of Transferred<br>Workers |
| Fuel and power complex   | 3397                                   | 63.8  | 240   | 7.1  |
| Metallurgical complex  | 1757                                   | 66.7  | 95  | 5.4  |
| Machine building complex   | 2971                                   | 48.4  | 87  | 2.9  |
| Chemical and timber complex  | 2747                                   | 69.2  | 115   | 4.2  |
| Agroindustrial complex   | 6867                                   | 32.8  | 421   | 6.1  |
| Construction complex (not including<br>union republic construction ministries) | 3131                                   | 94.3  | 139   | 4.4  |
| USSR Ministry of Light Industry  | 2245                                   | 71.6  | 80  | 3.6  |
| USSR Ministry of Railways  | 2773                                   | 93.1  | 339   | 12.2   |
| USSR Ministry of the Maritime Fleet  | 298                                    | 92.0  | 21  | 6.9  |
| USSR Ministry of Communications  | 1616                                   | 90.2  | 93  | 5.7  |
| USSR Ministry of Geology   | 449                                    | 82.3  | 29  | 6.4  |

**AUCCTU Meeting Focuses on Job Placement,  
Labor Distribution Issues**

18280052 Moscow TRUD in Russian 20 Jan 89 p 2

[Article by V. Karpov under the rubric "Restructuring: The Social Perspective": "They've Cut Back. And Now?"]

[Text] *The restructuring of the economy and transition to intensive methods of economic operation have engendered new processes—reductions in personnel and the release and redistribution of manpower. The problem of job placement is becoming more acute with every day. How can it be resolved with minimal losses? This question was put onto the agenda of a conference held at the AUCCTU [All-Union Central Council of Trade Unions]. Taking part in the conference were the leaders of all-union and republic committees on labor and social issues, trade-union organizations, specialists and scholars.*

Complacency—how often we have suffered from it, stumbling at the last instant: didn't take this into account, didn't allow for that... But the bitter experience of the past, judging by everything, is being poorly assimilated. How many times have you heard or read wording in official documents that "the slightest hint of unemployment" cannot be tolerated, it is intolerable to chase a person into the street? But are there guarantees that nothing of the sort will occur?

USSR Goskomtrud [State Committee for Labor and Social Issues] received a complaint from an employee of an administration of the USSR Ministry of the Maritime Fleet. They had decided to dismiss her, a labor veteran, with two months to go before her pension. An incident, it must be said, that is far from isolated. A cutback, as practice shows, sometimes proceeds in a climate of secrecy, in a narrow office circle. They sometimes cut back for "non-production" reasons—unsuitable to the administration, obstinate. They sometimes report the decision at the very last moment, not giving the person any choice. Frequently, in trying to get rid of someone, he is "pushed" into early retirement by fair means or foul.

And it is not quite so easy to stand up for the injured party. The ironclad argument sounds in reply to complaints: "We're re-organizing." Bureaucratic indifference is nourished by the lack of clear-cut legal guarantees. And how could it be otherwise if everything is farmed out to the departments today? And there was not and is not any reliable mechanism for protecting the individual at the state level. You can't get by on good intentions alone.

*Over a million jobs have been eliminated at institutions and enterprises over the last year. This number, it is presumed, will grow to over ten million by the end of the century. And whereas these reductions have so far come principally from vacancies, today, when all of the sectors are converting to cost accounting [khozrashchet], when*

*reductions in the apparatus of party and trade-union organs are underway, the situation is radically altered. Will the dismissed worker be able to find suitable work?*

Some representatives of the committees on labor and social issues, not wishing to analyze the situation profoundly, begin at once to refer to the shortage of dockworkers or construction and service workers. Their arguments are reminiscent of the propaganda of the worst times: "Yesterday you were a bookkeeper, tomorrow you will become a lathe operator!" True, the administrative types themselves do not want very much to follow this formula. If we take the statistics for Moscow, just a little over one percent of the apparatus of the ministries and departments has gone into the service sector. And it is that way for practically the whole country. A planner becoming a dishwasher or a bartender? A most unprecedented event! The hope that one need only push a button and everything would advance "upward" at once according to a preconceived scheme are clearly unjustified.

Think about something else too. One must at the least study a new profession in order to go from bookkeeper to lathe or milling-machine operator. A system of retraining and re-qualification must "work." That is, it is essential to depict clearly what the base academies and technical institutes are and what the program of study is.

How many people have been retrained, and how many will still have to be retrained? In what period of time? Such questions were posed at the conference to, for example, Belorussian Goskomtrud Chairman A. Fomich. It was difficult for him to answer them. And the point, probably, was not the lack of the necessary reference materials at hand, but the lack of a point itself. Such "ill-informedness" is widespread. It turns out, after all, that no one in the country answers specifically for the system of retraining. Neither USSR Gosplan nor the USSR State Committee for Popular Education.

At one time it was felt that one way of solving the problem would be the regional transfer of manpower. There is a shortage of some 2.5 million people in the RSFSR, for example. But raw mathematical calculations do not suffice when the discussion concerns the interests of people. The equality of social factors is also important from the viewpoint of the worker or specialist: will I be able to buy fruit or meat in the new city, can I place my child in a kindergarten... And what greets the new arrival in a city in Siberia? Beams and girders—simply speaking, sheds instead of apartments, a lack of polyclinics and theaters... And how many rights do workers sent according to organized recruitment have? There is no law for making the enterprise manager—who promised the new arrivals hills of gold but did not even provide rudimentary conditions—answer for it.

It must be stated that certain experience in solving these problems already exists. "Roughly fifty thousand people leave the autonomous republics of the North Caucasus

for seasonal labor," related RSFSR Goskomtrud Deputy Chairman Yu. Roshchin. "I personally promised the leaders of construction teams not to call them moonlighters anymore. This degrading term suits no one. The work is on a strictly contract basis: facilities are planned where the collectives are distributed in centralized fashion. The local authorities assist the workers' families with firewood, transport and food while they are away..."

They have so-called job banks in Latvia. Engineers and skilled craftsmen write their wishes, what they would like to work as and where. When a suitable position opens up, it is immediately reported to the candidate.

But the positive experience is unfortunately not being circulated. And to, say, provide an incentive for a move, it is necessary, to all appearances, to give people additional benefits and privileges.

And, naturally, most important—information itself on what we are offering the person in place of his former job. One cannot speak of job placement without an accounting, the monitoring of vacancies and unfilled jobs.

*According to data at the disposal of USSR Goskomtrud, a comforting picture is taking shape. There were some 1,240 job-placement bureaus operating in the country in 1988, including five hundred specialized centers. Their number will double in 1989. But can it really be said that a clearly defined mechanism for accounting and information exists in our country? Take Moscow, for example. One can count on one hand the individuals who obtained jobs through job-placement bureaus in the capital last year. And who is surprised if an enterprise does not willingly, and sometimes does not at all, report vacancies or personnel needs to them? The logic is simple: why pay for bureau services if it is simpler to hang an announcement in a hallway? The bureau cannot demand information from the plant or mill—it does not have the right. And it doesn't really strive to do that anyway. Cost accounting is only taking its first steps in the bureau, and there are thus far from always incentives for systematic and purposeful work. And the skill level of bureau employees is quite low, and nowhere are specialists trained for this kind of work.*

People thus in practice look for jobs themselves. Anarchy rules instead of "organized hiring." Or, if you wish, a "service of connections." In some cases it helps, in some it does not. In the Ukraine, for example, dozens and dozens of specialists cannot find work today.

It would be good, many of those speaking at the conference said, to have a card file of vacancies by republic and an all-union database. But isn't it a little late to start talking about that? I can understand to an extent the vexation of the chief of the Moscow job-placement center, E. Bobrovnikov, when he declared that the conference itself had been delayed a minimum of a year.

Let's suppose that you are lucky anyway and the bureau offered you a suitable position. Don't rush to be joyful just yet. "There are absolutely no guarantees whatsoever," emphasized Yu. Krychenkov, a department chief at the Labor Resources Administration of USSR Goskomtrud, "that they will see you, even with a certificate. If the chief of the personnel department wants to, fine, if he doesn't, sorry." We are unfortunately not rid of voluntarism and administrative bureaucracy in this issue either.

It is curious that the experience of the capital was cited more than once as a positive example of the resolution of personnel issues. The ministries and departments stopped hiring specialists in good time and created vacancies, thereby avoiding conflict situations. Far-sighted and wise? It would seem so.

"Only what was this far-sightedness at the expense of?" said V. Kleptsov, chief of the legal department of the AUCCTU, in revealing the secret of this "experience." "The personnel reductions at some ministries and departments were carried out by counting the staffing of production associations. Even those that were located in other cities. The bureaucratic apparatus of administrative types as a result not only did not decrease, but on the contrary, got larger. At USSR Gossnab, for example, they went from one to four thousand people. That is why they are openly laughing in the lobbies of the committee. Even before there wasn't enough work, they say, and now the more so. It is a mockery of common sense."

The wanton practice of reducing the skill categories of lathe operators and fitters with the incorporation of new wage terms on the pretext that there no more complex work exists at the enterprise has taken shape along with all the rest. People are essentially being pushed into resignation. Note that the AUCCTU is categorically against such practices.

"But it seems to me," emphasized G. Solom, chief of the production and mass work department of the Ukrsovprom [Ukrainian Trade-Union Council], "that both Goskomtrud and the AUCCTU should have been occupied with these wage issues in more considered and, most importantly, timely fashion. Elaborations on the impermissibility of reductions in skill categories were sent to the localities quite recently, after all. They have ensured a solid material counterbalance in the administrative apparatus at the expense of the workers."

Statistics tell the story the best on the distortions in incentives. The average pay of the administrative worker has grown by 20-30 rubles, while that of the regular worker has gone up by just 10.

It is no secret that improvements in the mechanism of economic operation are leading to cutbacks in people little able to work. Who is coming to the trade-union council to complain today? Mothers with children in their arms, veterans of labor... We complain about

callous union activists and labor-collective councils, reproaching them for an immoral approach among other sins. These are emotions, albeit just ones. It is way more important to create real guarantees of employment for such groups of people.

Today the enterprise must set aside two percent of its positions for invalids. But the norm remains on paper, as a rule. No one wants to create special jobs for them—it is troublesome and expensive. And the plan hangs over the head of the director too. But the way out is clear, after all: create special shops and sections for invalids. A society of invalids has been founded in the Lithuanian SSR, as related by Deputy Minister for Labor and Social Issues M. Stankyavichus, that is endowed with the right to have its own production.

And what guarantees of job placement do we give the young or those who are returning from places of confinement? Questions, questions...

One thing is clear: we cannot count on chance, hoping that everything will turn out by itself. The situation with labor resources taking shape today, if it is underestimated, is fraught with the most serious social consequences. And time is working against us in this case.

### **Impact of Cooperative Law Assessed After 6 Months**

*18280036 Moscow TRUD in Russian 5 Dec 88 p 2*

[Article by V. Yefimov, candidate of economic sciences: "Renting Can Do Without Hindrances: How to Create a Climate Favorable to Renting in Agriculture"]

[Text] The Law on Cooperatives in the USSR was published in June. This time let us not discuss its significance. However, now, six months later, try to convince a kolkhoz [collective farm] chairman that in accordance with the law acceptance of the state order is voluntary on his part. Or that when rights are infringed upon an almighty kolkhoz can be so bold as to withdraw from the RAPO. The chairman will tell you at best that your thinking is naive. Because the law is law and real life is real life.

As a rule, the levers of economic power are still located at the union, republic, and rayon levels of the Gosagroprom [State Agro-industrial Committee]. This is especially true for distribution of funds and subsidies. Farms as before are assigned plans relative to production volumes, sowing areas, livestock herd size, and wage fund limits. That is why few people venture to argue with the RAPO. This is one of the causes of passivity and mistrust on the part of managers on the one hand, and of ordinary workers on the other. In other words, at every trifle they "cut off the oxygen"—they do not make timely deliveries of replacement parts, fuel, and machinery, while failure to accomplish the plan brings.... Well, it is clear in general why those to whom the law grants rights are in no hurry to make use of them, while those from whom the

(administrative command) rights are taken away by the law are lax in parting with them and are quietly sabotaging various initiatives.

Less noticeable—therefore more dangerous than outright opposition to changes in production arrangements taking place in agriculture—is the change of names. For example, the kolkhoz may become a *koopkhoz*, and primary labor collectives (sections, brigades, etc) may become cooperatives; an accounting office may be renamed the finance and accounts center (FRTs). Touching up the old instruction relative to joint accounts under the collective arrangement, they play the role of innovators.

An artificially formed collective—particularly one which has not yet been endowed with the rights of a legal entity—cannot be referred to as a cooperative since, at the very least, this contradicts the definition as given in the Law on Cooperatives in the USSR. Therefore, what we have here is a rights-limited rental-type collective created within an enterprise that is not free to make economic decisions. A court cannot legally hear complaints brought by such "cooperatives" against the administration's actions. In any event, it is unlikely that they will lodge complaints, since there is no adequate legal basis for this. Also, renters cannot refuse services provided by utilities and units belonging to a farm, since you cannot use checks written for use within a particular farm to purchase products and services from other organizations. Thus, all the important levers remain with farm managers, in the accounting office, even though it may have been renamed the FRTs. Even in such a case we do not hesitate to refer to a renter as an owner. It seems to us that this misapprehension comes "from above." From the Gosagroprom, to be precise.

Recommendations were recently published (by the Gosagroprom and the VASKhNIL [All-Union Academy of Agricultural Sciences im. V. I. Lenin]) on setting up rental arrangements in agriculture. They include many provisions which are valuable and useful for developing new aspects of production.

However, renting is important not as an end in itself, but as a way to induce a feeling of ownership in peasants. This feeling can be formed and strengthened only by providing suitable rental conditions. In this connection, I would like to dwell on a provision whereby a renter can have a personal account in the farm's accounting office proper or a current account in the bank. There seems to be a choice here. However, the question is: for whom? Those managers who do not want to relinquish their power will take advantage of the "or" without fail. It is true that in another section of the recommendations, where there is a stipulation for rental arrangements with cooperatives and individual citizens who are not employees of *sovkhozes* [state farms] or members of *kolkhozes*, it is pointed out that renters enjoy the rights of a legal entity and have an account in a bank branch.

Does this mean that "natives" can continue to be dependent employees, while the unconditional privilege of becoming owners is offered to strangers? This kind of situation would suit "domineering type" managers, since they could order their people around the same as before.

The renter's income needs more reliable protection. The recommendations state that "the amount of rental payment will be determined on the basis of estimated profit derived from one hectare of ground (or one head of cattle)." In this case, what would the renting collective's income be? It would be the same as the wage fund, it seems. However, the renter's income is not a wage. With this income he must enlarge the farm, purchase a tractor, and upgrade his machinery.

The wage fund was set up for piecework. The harmfulness of this system for agriculture is obvious. It is intended for the low grade, relaxed, and passive labor of the hired worker.

In the same manner, the principle of determining ground rental payment formulated in the recommendations does not hold water. Since land in our country is not a buy-and-sell commodity, rental payment should obviously be based solely on differential rent. Rental payments should not be required in the case of poor lands.

The recommendations state that "rental payments are made to the farm and become its income." What is the basis for the farm's assessing the renting collective for the entire surplus product and even a portion of the necessary product? How will these means be expended? Will they not be spent to cover poor management, maintain the apparatus, and make capital investments over which the renting collective has no control?

It seems to me that renters should make ground rental payments in the form of differential rent not to the farm, but to the local soviet of people's deputies, i.e., to the representatives of the land's owner—the State. We all know that the farm, being the primary user, does not at this time pay for the land. The renter should make payment to the farm only if work has been performed to improve the soil. In that case the payment would be in an amount equal to the amortization deductions.

At this point, the kolkhoz chairman or sovkhoz director may cry out, "But what does the farm receive in exchange for transfer of land to rental status and for other fixed capital?" I would answer this question by saying, "Merely the cooperative's participation in fulfilling the farm's obligation to the State and rental payment for production means which in fact belong to the kolkhoz (or sovkhoz). If the kolkhoz (or sovkhoz) housing the cooperative would share at least part of the subsidies it receives from the State, the latter would voluntarily offer the farm its products. This would be more advantageous than taking it to market. In this connection, the incentive aspects of subsidies may be utilized until purchase prices of agricultural products are reviewed.

To summarize the above, taking into account that the draft law on rents is being written, I consider it necessary to include in it the following provisions:

1. Primary labor collectives (cooperatives) should be organized voluntarily on a familial or comradesly basis and enjoy as a rule the status of a legal entity possessing a current account in the bank.

2. Rental agreements for agricultural lands, in contradistinction to other fixed capital, should be made not with the farm, but with the local soviet of people's deputies, as the representative of the State. The matter of transferring lands to rental status should be decided by this soviet and should not depend upon acceptance of the state order by the renter. The sole condition should be a guarantee of a definite income from use of the land. The rental should not be a kind of "support" for a poorly managed enterprise. Accordingly, rental payment for natural resources, the same as income tax assessed the renting corporation, should become a part of the budget of the local soviet of people's deputies.

New production arrangements in agriculture can evolve successfully only with the appearance of supply and marketing, repair, construction, processing, veterinary, and consulting cooperatives, that is, of an agricultural cooperative sector which will destroy the monopoly of the existing infrastructure. The principal allies in this vitally important matter should be the soviets.

#### **ESSR Labor Research Institute Director On Co-Op Growth**

18280027a Moscow IZVESTIYA in Russian  
11 Nov 88 p 3

[Interview with Yukhan Kheynovich Sillaste, director of the Estonian Branch of the Scientific Research Institute for Labor by I. Kruglyanskaya; date and place not specified: "Let Us Earn More"]

[Text]

"Well, let us do it," we agree, "But this is easy to say."

Meanwhile, there are many who, having listened to Yukhan Sillaste's recommendation, have already raised their earnings. And to a considerable degree—I have in mind those individuals who have commenced using the new forms: contractual, lease and cooperative forms. Yukhan Kheynovich is one of the communists who thought up, introduced and publicized these forms. It bears mentioning that the cooperative movement was introduced immediately at high rates in Estonia.

[Kruglyanskaya] Yukhan Kheynovich, how do you explain such rates?



[Sillaste] You must understand that an immediate conversion over to a cooperative from traditional management is quite a considerable jump. And from the standpoint of consciousness also. This turned out to be easier for the Estonians. This was true owing to the fact that local cost accounting had prepared the people for the idea of cooperation, with such accounting being employed extensively throughout the republic at the time. This also applied to lease contracts and to other contractual forms. Thus social thought had mastered the idea of enterprise and when the "button was pushed" nobody had to overcome a psychological barrier.

[Kruglyanskaya] Unfortunately, cooperatives often arise in another atmosphere, one in which local cost accounting becomes known only through newspapers. Is it any wonder then that cooperation takes on abnormal forms?

[Sillaste] But in addition to the cooperative movement, local cost accounting has also prepared our republic for the reform in wages. What is the essence of this reform? Earlier, for example, a wage fund for a plant was determined to be on the order of 700,000 rubles. And once the state furnished this money, the plant was considered to be on state maintenance. It would appear that it has the right to decide how much to pay the director, how much to the engineer and how much to a lathe hand. At the present time, there are no ceilings on wages. A plant produced a million rubles worth of output and for every ruble—70 kopecks for wages. Production relationships have changed. Today a plant is no longer on state maintenance, but rather it earns its own way.

[Kruglyanskaya] All this is fine. But as a result of the introduction of the new forms, which we now unanimously consider to be progressive, a problem which touches upon the interests of many people has become more aggravated. At enterprises and especially in cooperatives, the people are able to obtain good earnings. But what about teachers, librarians, nurses and actors? They are living today on the same wages which they received earlier. As a rule, they have no possibility of earning more. Quite often, not only a miner or steel worker but also a shoe repair specialist, tailor, waiter or carpenter earns considerably more than does a librarian with a higher education or a museum worker. Can such a situation be viewed as normal?

[Sillaste] It is as normal as dividing up people according to their racial characteristics. Meanwhile, our statistics long ago divided up the national economy into the productive and non-productive spheres. And a non-productive worker senses his inferiority especially sharply at least twice a month—on payday. And here we are speaking precisely about a payday and not earnings. For they obtain not that which they earn, but rather that which is left over for them from the awards for the work of productive workers. When we carried out the experiment in wage reform, we wished at the same time to implement it in the non-productive sphere. But we did not succeed in having our own way.

[Kruglyanskaya] Everything from top to bottom. To weave silk—productive labor. To medically treat an individual—non-productive labor. Meanwhile, for the sake of his own health, an individual can refuse to handle the most precious of silks.

[Sillaste] And do you know what brought about such a division? Early capitalism. Labor which did not produce profit or create surplus product was certainly considered as non-productive labor. You will maintain that at the present time medical personnel and teachers under capitalism are not impoverished. This is all very true. But it was later that a capitalist was forced to operate under the conditions of a social contract. It bears mentioning that our attempt to build socialism also played a considerable role. Many benefits which we announced for the nation forced the capitalists to change their attitude towards social needs. Our very existence became for them a type of moral terror. And a definite equilibrium appeared within the social contract system. We were still unable to recognize the social importance of the work performed by a teacher or medical worker. What was its value? For example, the average earnings of cultural workers in Estonia is 97.3 rubles lower than the average wage for the national economy. In public health, it is lower by 89.6 rubles.

[Kruglyanskaya] The difference is quite large. But perhaps it is not so great for the country as a whole when we take into account the fact that the new forms are being employed extensively in Estonia and many have the potential for producing good earnings. Is this not true?

[Sillaste] No, we do not appear very well when compared against our immediate neighbors in socialist countries. For example, the average wage in medicine in Romania is 95 percent of the average national economic wage, in the ChSSR [Czechoslovak Socialist Republic]—92, in Hungary—91, in Bulgaria—90 and in our country—only 70 percent. Moreover, it should be borne in mind that these figures are based upon data for 1985. The economic reform in our country has increased this difference even more.

[Kruglyanskaya] As is known, this injustice is being regulated within our country. There are special payments for doctors, for example by means of gifts.

[Sillaste] Correct. And this reveals that we have not worked out a social mechanism at the state level and that we are attempting to compensate for this deficiency in this manner. Certainly, a doctor can be condemned for accepting a gift. But it is far more important to ascertain where we are making our mistake. In my opinion, we must first of all understand that the national economy is unified. Moreover, there must be only one economic mechanism. Yet we still have two. One we have changed completely (at least in theory and from a long-term standpoint). And the other remains as it was. As a result, for one individual income is dependent upon his capabilities and work effort. While another may strive for all

he is worth and not increase his salary by one kopeck. We still do not have a proper decree and there has been no monthly addition of 20 or 30 rubles. Large layers of the population and entire groups of workers engaged in social production thus feel themselves to be socially inferior. And this leads to very serious problems. It was by no means an accident that a plenum was held in Estonia this past spring, during which a protest was expressed: many cultural workers truly feel that they are being infringed upon from a material standpoint.

[Kruglyanskaya] Had you foreseen the possibility of such a rebellion?

[Sillaste] I even spoke forth in the press on this subject. I warned and I stated that a reform was needed in the production sphere if we were to prevent a further increase in social tension. Indeed, we have a system of interrogations and we are able to see how events are developing. Through studying foreign experience and aware of the nature of the social processes, we can forecast rather accurately what will happen among us.

[Kruglyanskaya] Is it not true that a strike committee was created in Estonia within the framework of the trade union for cultural workers?

[Sillaste] I will not cite the names of these individuals. But truly a group of trade union activists appeared who announced that they would declare a strike if wages were not raised. I met with them. They were interested in learning how much money the government would allocate for the wages of cultural workers. It turned out that it was capable of furnishing approximately two million. But the problem would hardly be resolved were each individual to receive an additional 15-20 rubles per month. There is a more effective method. For example, to increase one's income by virtue of his own efforts.

[Kruglyanskaya] But how? You yourself said: "earnings," "salary..." Moreover, logic indicates that you wish to carry over into the sphere of intellectual labor those same forms which were introduced into production. A lease arrangement, a contract and a cooperative.

[Sillaste] You are distorting the logic. Although it is correct, a conversion must nevertheless be carried out over to cost accounting. But how can cost accounting relationships be established with an educational kindergarten, for example, or with a librarian. Frankly speaking, we suffered considerably together with Aleksandr Grigoryevich Pevzner, my friend and a wonderful specialist in the economic area of the non-productive sphere. Exactly what is cost accounting? The dependence of wages upon the results of labor. We became accustomed to the fact that one enterprise pays another. Or an individual pays for services. But a school, hospital or library must remain on state maintenance. And here we come to a halt: why "on maintenance?" At the present

time, we have state maintenance for instructors, librarians and teachers. If you please, in accordance with a feudal principle. There is a social norm for labor: 41 hours per week. For this, an individual is paid a salary: let us assume it is 150 rubles. Thus, I sell 41 hours of my labor—moreover, for a payment which does not seem adequate to me. What is my psychology in such an instance? A supervisor looks the other way: why should I work?

Yes, the state must pay just as in the past. But the nature of the relationships must be different. The state's position is now as follows: henceforth we will work under the conditions of a contract. I give you money and you use it at your discretion. I reject the usual rights and will not determine the amount of your wages, the official schedule or other factors. And you work. Society will evaluate your work and also mine, since I am the state and I am serving society.

What is the basis for our actions? Neither one of the parties must become worse in its status. To the contrary, all must gain. Let us take a school: here there are three sides: a child (and parents acting in his behalf), a teacher and the state. A pupil must not receive worse instruction. A teacher must not receive less. The state must not pay more. It will be expected that the state will still be able to spend for a school as much as it is spending at the present time and not have to demand more. This is realistic. But there is a strict condition: under any and all conditions, the promised amount must be adhered to. The contractual forms must be reliable.

Thus the state loses nothing. It even wins: it furnished the money and it can now sleep calmly. But the worker will be the principal winner. In this instance—the teacher. And through the latter, the pupil and also society stand to gain.

Thus the first task is to create conditions for the worker which will interest him in managing in a more thrifty manner. At the present time, each step is monitored: more is being expended for the repair of desks than is considered necessary—if a director suffers a deficit, a deduction is withheld from the manager's wages. Such control will no longer exist and we can now find the means for realizing economies. Not only for paperclips, but also for tables of organization. A manager receives very little and this also applies to electricians and plumbers. Thus, we find in a school mainly people who perform one or more jobs. Let us take an individual who repairs a casement window or a toilet and we hardly punish those who damage the toilets. Or a door needs fixing or glass installed. That is, a multi-talented individual and we pay him not 80 rubles but several times more owing to the fact that he is fulfilling several positions. Such opportunities are to be found everywhere. In a museum, for example, the table of organization will call for 10 women and possibly one candidate of science and an assistant. Or take a rural library. Why work 8 hours in it? The people are in the field and are not concerned with

books. Thus a bookkeeper or a club worker can carry out additional work in a library during those hours when a library is needed by the people.

[Kruglyanskaya] Forgive me, Yukhan Kheynovich, but does not this idea simply amount to merely reducing the number of people carrying out this work? You mentioned the breaking up of relationships and the new economic mechanism.

[Sillaste] I agree. We still do not have an ideal economic mechanism for the non-productive sphere. Yes and it cannot be created from a theoretical standpoint. It bears mentioning that we fear the idea might be ruined by an excessive amount of paperwork. We must move forward. If an automobile is not available, then we will go by bicycle. If there is no bicycle, then we will go on foot. Otherwise, no progress will be realized. Thus we decided to take a trial step. During the summer, in the form of an experiment, we commenced operations at several institutions, including the republic's historical museum.

[Kruglyanskaya] In all probability, it immediately occurred to many that since cost accounting was involved there would be additional profit and thus the price of admission to the museum would be raised first of all.

[Sillaste] Intelligent management will furnish considerably more. Allow me to cite an example. The museum's table of organization included a photographer (with a salary of about 120 rubles). It was considered normal that he never was to be found and that he was running off somewhere to earn money. The director of the museum estimated that one snapshot taken by this photographer cost the museum 3 rubles and 50 kopecks. And if the museum ordered such snapshots from domestic services or from a cooperative, the cost would be only 1 ruble and 60 kopecks. Would it not be more wise to discharge the photographer? They paid him roughly 1,500 rubles annually. And if the snapshots were taken by other means, the savings would amount to about 700 rubles.

It must be understood that this is not a game to be played by a director; cost accounting must permeate the interior of the museum. A collective must be allowed to utilize the entire selection of forms being employed in the productive sphere. An individual contract can be used for the photographer described above. Or a collective contract: why cannot a brigade of students carry out harvest operations on the basis of a contract? A cooperative can be created within a museum—for example, for organizing the exhibits. Having been in museums, you in all probability noted women sitting between the halls. We have 20 of them. Each receives a wage of 80 rubles for monitoring and guarding the exhibits. I made the recommendation that they gather together and decide how they can organize this work with a fewer number of individuals. But the museum's deputy director had another idea: engage two professional guards who, on a contractual basis, would provide property protection

and be paid the same salary that the women received. Certainly, a portion of the money would be spent for specialized equipment—for example, the type of equipment found in self service stores. Moreover, it is my opinion that under these conditions they will find the best technical solution.

[Kruglyanskaya] You mention guards and I mentioned the women. It is not an easy matter for either group to leave work, especially with low wages.

[Sillaste] Yes, but we still cannot proceed in the absence of a reduction. And it bears mentioning that this is the chief reason for the unpopularity of cost accounting during the initial stages. It makes no difference so long as we are on state maintenance. Together we drink coffee. We obtain the same wages. And it must now be confessed: this is more capable and that more painstaking. It is clear that initially cost accounting damages human relationships. Especially in light of our lack of culture. Yes and it is more difficult to work. Because cost accounting does not simply represent a savings in staff units. There will be an increase in activity and work will become more difficult.

[Kruglyanskaya] Frankly speaking, it is still not entirely clear how work will progress in the museum.

[Sillaste] But you can imagine that the museum has been turned over for operations on a lease basis—to a cooperative. And there can be no doubt: they will find 100 earning methods. And as many ideas as you wish can be found in our museum. At the present time, as is known, the majority of the wealth is being held in reserves. It is being withdrawn when there is an order for such action. And why is it that exhibits are not selected or a room equipped for a medieval butcher? Only six square meters and an advertisement would be needed and people would come. It is always possible to find something among the reserves for which there will be a high demand. The idea immediately arose of following the route taken by Inturist [All-Union Joint-Stock Company for Foreign Tourism in the USSR]. The intent is to interest specialists in Scandinavian countries, individuals who pay for work with the required funds and currency and who, using currency, can buy modern equipment, including duplicating equipment and sell copies of interesting documents to tourists—to some for the sake of memory and to some for work purposes. In short, the process was carried out.

[Kruglyanskaya] Yes. But a process for earning money. And a museum, similar to a school or library, must first of all carry out ideological and educational work. If we now take into account the fact that what was saved or earned, just as in the productive sphere, can partially be converted into wages, will this not result in a tilt towards "pure commerce?"

[Sillaste] A contract must serve as a regulator here. In our case, a definite amount has been promised annually to

the museum. And for its part, the museum must produce a mandatory number of exhibits (for particular dates, jubilees, subjects and others), procure new displays and meet other conditions. And we are determined to carry out the remaining work ourselves.

[Kruglyanskaya] I foresee still another objection among our wise and experienced readers. A museum is a good thing. But if schools and kindergartens are also authorized to convert savings into wages, then a kindergarten may economize in the use of fuel and the children may become ill. Thus they may remain at home and it will not be necessary to feed them. This will then produce a savings in food. What do you have to say about this?

[Sillaste] I have very little to say. A mechanism must be created for countering this. And here we might examine western experience. There the entire non-productive sphere includes such concepts as a council of guardians, a council of consumers and others. That is, we can also create a council attached to a kindergarten or school, one which will include representatives from the three sides: those who provide finances (for example rono [rayon department of public education]), parents and Soviet authority. Similar to jurors, the members of this council must furnish an evaluation on whether this collective is performing good or poorly. If good, then it is authorized to use for wages the money that is saved or earned. It bears mentioning that in the West the members of such a committee usually pay so-called "assessments." Our parents can also pay and it is in their interest to do so. I believe that such a system will make it possible to evaluate the work of a school in an objective manner. And if the money is not furnished, then the parents must do so. If they tolerate the fact that their school is cold and their children are not learning very well, if in the process they agree to pay the committee members 10 rubles per meeting and if they are aware that as a result the wages of the teachers have increased by threefold, then they deserve nothing better. Our social system will never operate properly if the people do not stand up for their rights.

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This then was the thought which I emphasized as being most important during our entire discussion. It did not have to do with how perfect was the system proposed by the economists. It is possible that, following a check during actual operations, it will require certain changes. The task consists of ensuring that we become more active and learn to defend our own interests on the basis of actions and not merely based upon words. Thus we discuss the "new thought." To recognize our own infringement and to discuss it aloud—yes, this is new for us. To demand increases in wages and to impose conditions—this is even more new. But to strain and ponder how we can earn for ourselves—this is truly unusual for the majority of us. This is the same cost accounting that we find in a budgetary institution. If somebody was to

issue an order. But indeed the thought could be otherwise. Yes, we still do not have a directive document. But why do we not carry out a test on the order of a local experiment? What kind of chief would oppose this? And why should it be the chief?

In short, using the words of this same Yu.Kh. Sillaste, it is time for us to change the philosophy of figure skating to a philosophy of high speed sprinting on skates. Earlier the chief concern was to complete a clean figure and in the process we considered obedience to be the chief virtue. But at the present time the task consists of reaching the goal more rapidly and it is of little importance if our two arms are waving or if one or both are behind our backs. Until we understand how much in our life depends upon us, no economic mechanism will be able to operate at maximum capability. Even the most perfect mechanism.

## EDUCATION

**Education Deputy Chairman on Reforms**  
*18280032 Moscow KOMSOMOLSKAYA PRAVDA*  
*in Russian 25 Nov 88 p 1*

[Interview with V. D. Shadrikov, first deputy chairman of the USSR State Committee for Public Education, by B. Minayev and N. Kiselev: "Learning Without Torment"; place, date, and occasion not given]

[Text]

[V. D. Shadrikov] I would like to preface our talk with a quotation from K. D. Ushinskiy. It was said 130 years ago, but it sounds so contemporary: "If the bureaucracy, even if it is liberal, directs the reform in education, what results can be expected from such a reform? At best a great number of schools can be built by the bureaucratic method. However, these will not be the schools that the people need. True public schools should grow out of a clear and definite public opinion of upbringing and out of public interest and creativity in the cause of education..."

We talk a great deal about school democratization. However, what is this if not the establishment of a true public school, a school for the people, a school that is built and managed by the people themselves? The public school is a school with deep roots in the national culture. A school fostering internationalism through the mastering of the spiritual wealth of its national culture and traditions and of its region's way of life. The public school is a school, whose establishment, construction, and development are carried out by the people themselves and by the broad public. The public school is a school directed toward the student's personality. And, of course, the public school is a school cultivating labor as the main value and meaning of life.



[Question] Vladimir Dmitriyevich, is such a definition not too mild and academic? To put it rather crudely, does it not divert the talk elsewhere? Disputes are now raging about what should the status of the school be, that is, state-public or public-state? Sensible people break a lance over the order of words. This is by no means by chance. The fact that public self-administration bodies, that is, the elected school council and the rayon (city) council for public education, not the director, RONO [rayon department of public education] inspector, or ministry official, become the masters and chief figures in schools is the "supporting structure" in the "package" of draft documents published by the USSR State Committee for Public Education, which will be discussed at the forthcoming congress of educational workers.

[V. D. Shadrikov] First of all, about the doubts arising in connection with the idea of state-public school administration. They could not but appear. The old orientations are too deep-seated in us and we lack the culture and experience of democracy. Moreover, the very idea of councils has not yet been studied thoroughly and there is no complete legal clarity in the mutual relations of councils and state bodies in the administration of education. It is impossible to solve all these problems without relying on practice. We need, like air, experience in public administration of public education. All skills can only be acquired through activity. In order to learn to walk, one has to take a step. I am confident that elected school councils and councils for public education are a tool of true government by the people and an important link in the policy of councils elected in a new way. It seems to me, however, that the difficulty lies not only in the fact that someone personally hinders their establishment. The trouble is that in many places [officials] have rushed to establish new administrative bodies without consulting people and taking public opinion into consideration. This can transform a live cause into an ordinary campaign.

However, I would not begin to reduce problems concerning the democratization of school life to elections alone, be it elections to the school council or to the next congress of workers in public education. Democratization is important mostly inside the school, at the lesson, and at the dormitory of older and younger students. Relationships between the teacher and students are changing. Not to direct, not to dictate, and in no way to "drill in," but to **help to learn** and to develop and meet cognitive needs. However, this is possible only if we expand the rights of the teacher himself.

#### How to do this?

[V. D. Shadrikov] First of all, the teacher should be relieved of petty supervision, when the inspector compares with a watchful eye a live lesson with a piece of paper: Does the teacher begin the lesson in such a way? How much time does he devote to asking questions? How many times does he repeat what has been covered? School methodology should be spared scholasticism and

dogmatism. What has already been done in this direction? The new competitive approach to the creation of textbooks is one of the practical steps. We held a competition in five subjects: mathematics, physics, chemistry, geography, and information science. About 600 authors, many of whom were absolutely unknown to us, took part in it. For many years the public justly expressed its concern in connection with the way in which "state orders" for textbooks were given out and who determined the policy and made the selection. This bastion of authoritarian guidance of education was one of the first to collapse. Whoever wished so could test his ideas in practice. The first textbook, which won in the competition—incidentally, it has already been published—was the textbook of mathematics for the fourth grade by Estonian authors E. R. Nurka and A. E. Telgmaa. When all this work is completed, the teacher will be able to select any of the published textbooks on his own. Several study guides will be published for every subject: Choose! We have affirmed this right of the teacher by the decision of the board of the State Committee.

Before my work at the USSR Ministry of Education and at the USSR State Committee for Public Education I worked both at a school and at a higher educational institution. I consider myself, so to say, a champion of university ideology, which, in contrast to previous school ideology, has always guaranteed a number of democratic freedoms for the student and the instructor: from the freedom to choose study and teaching aids to the freedom of attendance. This ideology in education seems to me much more productive than a rigid regulation: what, how much, and how to teach... And although we deal with children, we should remember that there are no "objects" in upbringing and education. There are only subjects—on both sides of the lecture stand. The main task of the public school is to uncover and develop the individuality of every child.

[Question] Will the system of evaluation of schoolchildren's knowledge change in this connection?

[V. D. Shadrikov] This problem is close to me. After all, I am a psychologist by profession. Some of the first vocational guidance centers in the country were established at Yaroslavl University and then at the pedagogical institute, where I had occasion to work. There we collected and checked a large number of methods of uncovering abilities. It should be stated that until recently the word "test" was quite dangerous, especially in the scientific environment, because the sadly known decree of 1936 "On Pedagogical Distortions in the System of People's Commissariats of Education" was still alive in the memory of many scientists. As it seems to me, the problem of a wide and universal introduction of both psychodiagnosis and psychocorrection into school practice should be raised now. Teachers, parents, and children are interested in this. Arguments are now going on about so-called ZUN, that is, knowledge, skills, and habits—the cornerstone of previous pedagogy. In life we



cannot manage without knowledge, skills, and habits. This is certain. Schools should also solve this problem. However, the criticism of ZUN is directed toward restoring the rights of such a fundamental concept as "abilities." In practice this makes it possible to uncover the student's creative potential, to choose the type of instruction by means of productive psychological methods, and to evaluate the results of learning. Incidentally, control work, strictly speaking, is the test. True, the teacher creates this test not on a scientific basis, but, essentially, by relying on his experience. This is insufficient. In order that the test may "work" well, a specialist is needed. When we began to introduce the psychologist into children's homes and boarding schools, we encountered a very acute personnel problem. Graduates of the few psychological faculties are assigned entirely to scientific institutions and industry. However, if an unskilled specialist arrives at the post of psychologist, we immediately discredit the new endeavor. Therefore, we have pursued the following path: One-year faculties are now being opened in 12 universities and pedagogical institutes. At these faculties, on the basis of higher pedagogical education, during 1 year (more precisely, 9 months) of intensive study it is possible to master a course in practical psychology and to return to school as a teacher combining teaching activity with performing the functions of a school psychologist.

**[Question] Vladimir Dmitriyevich, does the concept of "public school" exclude the diversity of types of schools?**

[V. D. Shadrikov] In no way. On the contrary, this is its essence. A great deal of work on developing diversity in schools will still have to be done. Until now we have never talked and even now we try to keep silent about the obvious truth: Different social strata and groups in our society have different needs for education. In other words, the question of what school a given region or a settlement needs, the question concerning the content of the curriculum of this school, whether it needs specialization, and what kind should be solved individually each time, not in the office of the RONO head, but on the basis of a truly objective study of public opinion, including by means of sociological research.

Second, society has an urgent need for the individualization of instruction. In our country this process is somewhat on one plane now: The school, relying on published documents, has begun to actively choose the specialization for itself—humanities, mathematics, biology, labor, and so forth. This is necessary. However, it seems to me that the process of differentiation should be conducted not only at the level of a "special class" and a "special school," but at the level of personality. Schematically, I visualize this as follows: The class has about 30 students and on the order of 10 instructors. If every teacher very profoundly interests five or three children and even one child in his subject and works with them individually, according to his own personal method, using the allotted time in his own way, and the class teacher competently

guides this process (which, incidentally, he hardly does now), this will be a practical step toward true individualization.

It is more complex for rural children. For now they do not have a big choice. They cannot "travel" to another school—it is too far. Probably, establishing third-level boarding schools, possibly, at higher educational institutions and enrolling primarily rural children in these modern "lyceums" can be the way out here.

**[Question] You said that the concept of "public school" is inseparable from national culture. What is your attitude toward this sharp struggle, which has developed in many republics around the question of the language in which subjects should be taught—the language of international communication or the native tongue? What position does the USSR Committee for Public Education hold in the resolution of such conflicts?**

[V. D. Shadrikov] You have touched upon one of the most delicate problems. It is impossible to carry out education apart from national culture. The lack of formation of national self-consciousness and man's poor orientation in national-cultural matters often create favorable conditions for the emergence of profound deformations in the sphere of international communication. At the same time, national culture should be studied in close connection with the culture of other nations and international world outlook should be formed on this basis. From this point of view extensive work on determining the content of general secondary education is ahead. This is the central problem of the school reform.

With regard to the language of instruction, here, in all probability, the democratic principle of its free choice by the students themselves and their parents should be preserved. At the same time, it is necessary to encourage the study of the language of the republic's native population by students of other nationalities living on its territory and to create equal conditions for the study of national and Russian languages and literature in all general educational schools of the Union republics.

**Congress Highlights Education Reform Tasks**  
18280042 Moscow UCHITELSKAYA GAZETA  
in Russian 29 Dec 88 p 1

**[Unattributed article: "Resolution of the All-Union Congress of Educators"]**

**[Text]** The All-Union Congress of Educators has completed a comprehensive study of the following issues: educating the younger generation; basic and advanced training for certain specialties, as well as retraining; and improving people's level of cultivation and education. The above tasks are to be carried out: as part of the

perestroika that is affecting soviet society; in the wake of political, economic, and legal reforms; and in step with the CPSU's policy of accelerating socio-economic development.

Thanks to democratization, glasnost, and the firmly established atmosphere of free debate, we can look honestly at the full range of problems facing us in education. We can study the problems with a critical eye, and we can identify the solutions to them.

The delegates to the congress stated that the secondary and vocational school systems were being reorganized, in accordance with decisions made by the 27th Party Congress, the 19th All-Union Party Conference, and the February (1988) Plenum of the CPSU Central Committee. However, they continued, the watershed point in the development of the country's educational system had not been reached. They felt the ineffective educational system was an obstacle to the implementation of perestroika in society, which has less and less respect for educated people and education as a whole. To a great extent, perestroika is being held up by excessive centralization, inadequate initiative on the part of republic-level educational authorities, conservative and sluggish attitudes in the education establishment, a preference for using old techniques for solving new problems, and the interference of certain unauthorized individuals and organizations in educational affairs. Also, public and government organizations have been slow in dealing with the needs of schools, while measures to upgrade schools' resource base have not been able to ensure the level of quality sought. Finally, they stated that the effort to address the gap separating rural from other schools was moving too slowly, and that the public pre-school education system was in need of complete reform.

They also indicated that insufficient attention was being given to the health, physical training, and social, educational, and legal safeguards needed by the younger generation, especially children, adolescents, and teenagers with physical and mental defects. Certain worsening negative trends among young people have not been reversed, and there is still no effective mechanism of interaction among schools, magnet enterprises, families, and komsomol, pioneer, and other public organizations.

Persons involved in internationalist and patriotic education have not been duly aware of national traditions and the culture of individual republics, and there is considerable concern about the penetration of nationalistic and chauvinistic ideas into the educational establishment.

In the view of the All-Union Congress of Educators, the keys to faster implementation of reforms in the area of education are: imparting a greater social and economic value to education; recognizing that education and culture are important factors in the effort to modernize socialism; and encouraging the creativity of educators and students. For success in these areas, we need to create a unified system of continuing education and

operate this system at the governmental level. We also need to put academic institutions on a democratic, humanistic foundation, focus them on mankind, establish an effective organizational, economic, and legal apparatus for helping schools progress, and resolve the social issues associated with educators.

The All-Union Congress of Educators feels the following are necessary:

1. The USSR Gosobrazovaniye [State Education Agency] must plan a series of programs aimed at implementing, in addition to the platforms and mandates of the delegations, the suggestions and comments of the individual delegates, and must make the agencies responsible for education and the delegates to the congress aware of the same by 1 March.

On behalf of the Congress, the CPSU Central Committee, the USSR Supreme Soviet, and the government should be asked to study those suggestions of the delegates that concern the development of the educational system.

The following documents should be approved: Ideas for General Secondary Education and Pedagogical Education; and bills concerning provisions for academic institutions and rayon- and city-level education councils.

In conjunction with the education agencies of the union republics, the USSR Gosobrazovaniye must finish the reports prescribed in the recommendations of the February (1988) plenum of the CPSU Central Committee and in the CPSU Central Committee Greeting to Educators. The Gosobrazovaniye must also incorporate the comments and suggestions of delegates attending special and plenary sessions, as well as those of the delegations themselves, into their documents, which they must make available for review to the All-Union Council on Education in the second quarter of 1989.

In the course of finishing the reports, an effort must be made to deal with conflicts and ensure that a unified approach based on continuing education is chosen. Educators should be advised to make the information in the reports discussed at the Congress part of their professional activity as conditions become more favorable.

2. An effort must be made to publish completed papers on ideas about continuous education, pre-school and extra-curricular education, and secondary-level specialized and vocational training. The suggestions and comments that have been made should be incorporated into these papers, which are to be made available for review to the All-Union Council on Education in the second quarter of 1989.

3. As one of the priority tasks involved in perestroika in education, the creation of a government-level system for administering educational establishments and institutions must be studied. This system must be consistent

with the guidelines and principles of the country's political reforms, its policy of democratizing society, and its effort to reverse the excessively centralized management of the educational establishment.

In conjunction with the All-Union Council on Education, the USSR Gosobrazovaniye must write and duly submit drafts of a USSR Educational Institution Law. This Law must address the issues of economic and legal autonomy, relations between magnet enterprises, parents' responsibilities in educating their children, the situation of rural schools, and pre-school and extra-curricular facilities. The above-mentioned organizations must also determine the status of the Congress and prepare a new edition of the Basic USSR and Union Republic Education Law.

4. The observation should be made that efforts to create a system of continuing education must be redoubled, and that due attention must be given to the traditions of the republics and the new, expanded social responsibility given to institutions of learning. These efforts must be accompanied by cultural education activity on the part of the media, scientific institutions, public organizations, and the arts-related unions.

An important part in this effort will be played by the USSR Academy of Pedagogy, which will be one of the major architects of the future of Soviet education.

Together with other involved departments and organizations, the USSR Gosobrazovaniye should be advised to draft a comprehensive program for implementing the Ideas for Continuous Education. The program should contain provisions for creating an environment that will stimulate the continuous personal and professional growth of each individual in our revitalized society. Its purpose will be to encourage initiative and creativity, upgrade the workforce, and create a new atmosphere in which educators will be certified.

5. Support should be given to the proposal of the Soviet Children's Fund imeni V.I. Lenin that a USSR Children's Law be drafted and duly enacted. This Law will provide safeguards for the rights and freedoms of young people and ensure that the State and society create an environment in which the complete spectrum of physical and mental development can flourish.

6. Along with the USSR Academy of Pedagogy and the Soviet Children's Fund imeni V.I. Lenin, the Gosobrazovaniye should present the USSR Council of Ministers with proposals to create the "Detstvo" and "Shkola" programs at the government level.

7. Together with the All-Union Council on Education and the ministries and committees of the union republics, The USSR Gosobrazovaniye should be made responsible for: finding a way to establish humanitarian principles and the humanities throughout education;

drafting recommendations on how to rectify the unsatisfactory situation with respect to the teaching and study of the social sciences, humanities, and arts; and recruiting the most creative individuals in the country to perform these tasks.

The Congress stresses that educating young people in the spirit of patriotism and socialist internationalism is the supreme duty of the Soviet educational system.

Given the new problems facing them, historians and social scientists must undergo the requisite retraining.

8. Improvements must be made in the job training and vocational counselling given to young people. These improvements must reflect a solid linkage between productive labor, teaching, and technical education in secondary and post-secondary schools. Every effort must be made to expand contacts between general secondary and vocational schools, as well as between the educational system as a whole and science and industry.

9. In light of the dramatic reform of the economic management system, the USSR Gosobrazovaniye and the agencies in charge of education in the union republics should plan and implement measures to further reform higher and secondary specialized and vocational education. These measures must be based on the creation of an effective organizational and economic apparatus that will oversee the interaction between institutions of learning, enterprises, and economic organizations. They should also address the task of expanding the number of contractual arrangements providing personnel training and research.

10. Secondary specialized educational institutions must be given a more important part to play in the continuing education system. Their job is to improve the quality of the training, retraining, and advanced training given to mid-level personnel throughout the economy.

In the area of vocational training, workers must start receiving training at the secondary-school level, although young people must have the opportunity to receive occupational training after completing their initial schooling. In priority areas of the economy, more workers skilled in complex cross-disciplinary professions involving extensive training need to be made available.

11. Together with interested ministries and departments, the USSR Gosobrazovaniye must present the USSR Council of Ministers with proposals for: upgrading military science and civil defense departments at schools; providing basic military training; and making military service deferments available to students at advanced and secondary specialized institutions of learning and vocational schools throughout the time they are students, starting in the 1989/90 academic year.

12. The USSR Council of Ministers must be asked to resolve the issue of who gets priority in the distribution

of the country's paper, printing capacities, and educational film production resources. The establishment of the "Uchebnaya Kniga" All-Union Publishing House must be speeded up. This must be accomplished using the resources of the various industries' publishing facilities.

13. Guided by the fundamental decisions made at the 27th CPSU Congress and 19th All-Union Party Conference on the Social Reorientation of the Economy, the Gosobrazovaniye, the All-Union Council on Education, and the central committee of the Union of Educators should be instructed to draft and include proposals in the Ideas on the Economic and Social Development of the USSR between the Present and the Year 2005. Special attention should be focussed on developing rural schools, securing a more solid resource base for institutions of learning, and improving the social and material situation of teachers, educators, and everyone involved in education.

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The delegates to the Congress treated the CPSU Central Committee "Greeting" as a mandate for the entire educational establishment. They were extremely happy to hear the news that funding for education had been increased dramatically, that resources had been allocated on a priority basis, and that the moral and material incentives available to educators had been boosted.

Ideas about reforming the educational establishment made a distinct impression on educators, students, schoolchildren, and parents. The process of modernizing the educational system has begun. The delegates to the Congress are aware of both the significance and the difficulty of the work ahead. They realize that success depends on the attitudes of students and teachers, parents, teachers' groups, and komsomol and pioneer organizations, as well as on the ability of state and public organizations to change their approach to education. We ask all educators, students, schoolchildren, and parents to take the initiative and be creative in helping to do the job ahead, and to bring the full measure of their knowledge, experience, and good will to bear on the accomplishment of this task.\*

\*In accordance with the Congress' instructions, the All-Union Council on Education has reviewed the delegates' suggestions. Some of them found their way into the Resolution, while others will be referred to the government, sent to the appropriate ministries and departments, and included in the USSR Gosobrazovaniye's agenda.

## DEMOGRAPHY

### Information on 1989 All-Union Census Reported

#### Goskomstat Official Interviewed

18280043 Moscow AGITATOR in Russian  
No 23, Dec 88 p 28

[Article: "The All-Union Census"]

[Text] Readers' questions on the forthcoming All-Union Population Census are answered by A. A. Isupov, chief, Population Statistics Administration, USSR Goskomstat [State Committee for Statistics].

[Question] When will the next population census be held? What are its basic principles and conditions?

[Isupov] The 1989 All-Union Population Census will be conducted from the 12th to the 19th of January. Even though it will be in progress for 8 days, all data must be as of 2400 hours on the 11th of January. This is the so-called census moment. Only if this condition is observed can we obtain the precise size and description of the nation's population. Anonymity is an important condition of the population: the names of the persons polled will not be fed into the computer—the data will specifically be processed by computer; the specialists are not interested in specific, personal data. Census takers are prohibited from making public any information concerning specific persons.

The census is based on trust. Documents are not required to confirm the answers to questions on the census sheet. Accordingly, it is very important that all pollees be responsible in their attitude toward the census: the accuracy of the collective portrait of the population depends on this.

[Question] What new questions does the 1989 census contain?

[Isupov] The two tasks in the development of the census program were: to maintain the continuity of the topics and to obtain new data required for the development of our society under present conditions. The census program is accordingly based on questions used in previous censuses: in this way we can trace the development of the nation's population over time. There are also new questions that make it possible to study migration processes in greater depth; the effectiveness of the vocational training system and the scale of utilization of vocational-technical training school graduates; demographic trends; and the significance of such new sources of livelihood as employment in cooperatives and individual labor activity.

But the most important innovation is questions on housing conditions—questions that have not been asked since the 1926 census. The resulting data should concretize individual aspects of implementation of the program

of providing every family with a separate apartment or house and should help us to learn not only the quantity of required living area and apartments, but also to characterize these apartments in accordance with the basic demands on their quality.

**[Question] What is the significance of information obtained in the course of the general census?**

[Isupov] Lev Tolstoy supplied a very good answer to this question back in 1882: "The interest and significance that the census holds for society consist in the fact that it gives the entire population and each of us a mirror that we must look at whether we wish to or not." The 1989 census must provide planning organizations, industrial enterprises, agriculture, scientists, and society in general with the detailed and diverse information required for regional demographic and social research, for studying the location and utilization of labor resources, for forecasting the population's size and makeup, and for formulating the principal directions of the nation's social and economic development.

**[Question] What is the selective census?**

[Isupov] The full program of the 1989 All-Union Population Census includes 25 questions. They are listed on the selective census sheet and are answered by 25 percent of the permanent population. Specialists believe that such a sampling is representative and that the results of this poll can be extended to the entire population of an oblast, of a republic, of the nation. The rest of the population will answer 20 questions of the full census. Such an approach will make it possible to economize resources, to cut the time required to collect and process data, and at the same time to obtain a vast and diverse body of information.

**[Question] When will the results of the 1989 census be obtained?**

[Isupov] We plan to have the preliminary totals in April 1989. By the end of 1989, we should have basic information on the population's age, marital status, nationality, language, education, training, sources of income, on the number and size of families, and on its housing conditions. It is assumed that the processing of the materials of the full census program will be completed in 1990.

**[Question] How widely will the census data be publicized?**

[Isupov] The great majority of statistical data have ceased to be closed of late. Goskomstat regularly makes information available to the press on various aspects of our life. Naturally, the results of the 1989 All-Union Population Census will be published with broad commentary as they are received. After the final results are tallied, statistical tables will be published separately.

It is impossible to make the masses more active while at the same time depriving them of the necessary information or making this information available in abridged form. Goskomstat views the forthcoming census as a test of its ability to gather accurate information, to analyze it properly, and to convey it efficiently to the nation's citizens.

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### Census Form Published

18280043 Moscow ARGUMENTY I FAKTY in Russian  
No 1, 6-12 Jan 89 p 5

[Article: "Census-89"]

**[Text] In accordance with a decision of the Politburo of the CPSU Central Committee and a decree of the USSR Council of Ministers, the next All-Union Population Census will be conducted in our country from the 12th to the 19th of January 1989. It is the fourth postwar census. For the first time since the 1926 census, information will be obtained not only on the size and makeup of the population but on its housing conditions as well.**

The program of the forthcoming population census includes the following 25 questions.

#### A. Questions that will be answered by the entire population.

1. Relationship to family member listed first (family member listed first: wife, husband; daughter, son; mother, father; sister, brother; mother-in-law [husband's mother], father-in-law [husband's father], mother-in-law [wife's mother], father-in-law [wife's father]; daughter-in-law [son's wife], son-in-law [daughter's husband]; grandmother, grandfather; granddaughter, grandson; niece, and others). Single person. Family member living outside the family; number of spouse, number of mother<sup>1</sup>.
2. Sex (male, female).
3. For temporarily absent permanent resident, record: (a) the reason for absence; (b) time absent (indicate: number of months or less than a month).
4. For temporary resident, record: (a) permanent address; (b) time absent from permanent place of residence (indicate: number of months or less than a month).
5. Date of birth (date, month, year). Age at last birthday.
6. Place of birth (republic, kray, oblast).
7. Marital status (married; never married; widower, widow; divorced, separated).



8. Nationality. In the case of foreigners, also indicate citizenship.

9. Mother tongue. Also indicate fluency in other languages spoken by peoples of the USSR.

10. Education—for persons 6 years of age or older (higher, incomplete higher, secondary specialized, secondary general, incomplete secondary, primary, lacks primary education, illiterate).

11. Graduate of vocational-technical training school—for persons 15 years of age or older (yes, no).

12. Type of educational institution attended—for persons 6 years of age or older (institution of higher learning; secondary specialized educational institution; general education school; secondary vocational-technical school; other school, courses; not enrolled).

13. Sources of livelihood—indicate one or two sources (work at enterprise or in institution; work on kolkhoz; work in cooperative; work for individual citizens [*rabota u otdelnykh grazhdan*]; individual labor activity; personal household plot; pension; grant, scholarship; other type of state support; someone's dependent; other source).

**B. Questions that will be answered by 25 percent of the permanent population.**

14. Place of work (full name of enterprise, institution, kolkhoz).

15. Activity at this place of work (duties or job performed).

16. Social group (blue-collar worker, white-collar worker, kolkhoz worker, person engaged in individual labor activity, priest).

17. Length of continuous residence in present settlement: (a) continuous residence since birth (yes, no). If the answer is no, indicate: (b) kind of settlement moved from—urban or rural; (c) year marking the beginning of continuous residence.

18. In the case of women, indicate: (a) number of children born; (b) number of them that are alive;

**C. Questions concerning the population's housing conditions.**

19. Period in which dwelling was built (before 1918, 1918-1940, 1941-1950, 1951-1960, 1961-1970, 1971-1980, 1981-1988).

20. Material used in external walls of dwelling (brick, building blocks; concrete, reinforced concrete; blocks, panels, wood; mixed material; adobe brick, clay; other material).

21. Dwelling belongs to (state, cooperative, public organization; house-building cooperative; citizens based on the right of personal ownership).

22. Type of living accommodation (individual house, part of individual house, separate apartment, common (communal) apartment, other living accommodation, rents living accommodation from individual citizens).

23. Conveniences in living accommodation (electricity, central heating, running water, sewer system, hot water supply, natural gas, electric range, tub or shower; do not have indicated conveniences).

24. Number of habitable rooms occupied.

25. Size of area (in m<sup>2</sup>): average room

**Information recorded on the census sheet is to be used solely for the purpose of obtaining consolidated data on the size, makeup and housing conditions of the population according to the established program.**

**Census workers are forbidden to report the content of the answers to anyone.**

**Footnotes**

1. The number of spouse and mother will be recorded only on selective census sheets for the purpose of studying the structure of dysfunctional families.

**Goskomstat Statistics on Rural Demographic Problems**

*18280041 Moscow AGITATOR in Russian  
No 22, Nov 88 pp 32-33*

[Article: "Goskomstat Statistics on Rural Demographic Problems"]

[Text] More than a third of the USSR's population lives in rural areas. In the last few years, some positive changes have been seen in the country's demographic situation, including the situation in the countryside. Mortality has declined substantially, life expectancy has increased by 2 years, and the birth rate has risen. Nevertheless, there has been no radical improvement in the development of population processes. The size of the rural population is continuing to shrink in regions with a manpower shortage while conversely growing in regions that have significant manpower reserves. The rural population has declined most substantially in the central RSFSR—the Central-Chernozem economic region (by 25 percent); Volga-Vyatka (by 23 percent); Central (by 22 percent); Povolzhskiy region (by 17 percent), and in the Belorussian SSR (by 23 percent) and in the Ukrainian and Lithuanian SSR (by 16 percent).

Migration has been the principal cause of the decline of the rural population. In 1976-1987, outmigration of the rural population exceeded the natural increase in population by

22 percent. The highest outmigration is currently seen in the Belorussian SSR—22 persons per 1000 population; in the Kazakh SSR—20; in the Moldavian SSR—19 (in the USSR in general—12 persons per 1000 population). In the RSFSR, this figure ranges between 16 and 22 persons per 1000 population in the Povolzhskiy, Ural, Central-Chernozem, and Volga-Vyatka regions. Rural population growth due to migration has been observed in only two republics: in the Estonian SSR since 1983 and the Latvian SSR since 1984.

The urban population of able-bodied age has declined in the last 12 years by 3.5 million persons or by 7 percent. Over 18 percent of the country's able-bodied population today lives in the Central Asian republic. The level of rural unemployment is high here: in the Tajik SSR—38 percent; in the Uzbek SSR—28; in the Turkmen SSR—26; and in the Kirghiz SSR—22 percent of the total work force. The high share of rural population not employed in social production is also typical of the Azerbaijan SSR—37; Armenian SSR—35; and Georgian SSR—25 percent.

Conversely, virtually full employment of rural dwellers is seen in regions in which the size of the able-bodied population is declining. The share of able-bodied population not employed in social production ranges from 1.2-1.4 percent in the Belorussian and Latvian SSR to 6-7 percent in the Ukraine, Lithuania, Estonia, and the RSFSR.

A considerable part of the employed rural population is not working in agriculture. Thus, in 1987 only 57 percent of the total rural population employed in the national economy as a whole worked in agriculture (excluding personal household plots); the corresponding figures in the Kazakh, Kirghiz, Latvian, and Estonian SSRs and the RSFSR ranged from 54 to 43.

The number of men between the ages of 18 and 29 years is significantly higher than the corresponding number of women in the areas of the majority of union republics with the exception of the Uzbek SSR, the Azerbaijan SSR, the Tajik SSR, and the Turkmen SSR. This makes it difficult for them to start a family. Thus, for every 1000 men in this age group in the Kazakh SSR, there are 761 women of the corresponding age; in the Lithuanian SSR—811; Belorussian SSR—820; Moldavian SSR—831; and Armenian SSR—860. Such sex and age disproportion is chiefly occasioned by the migration of female rural dwellers to the city, which is in large measure connected with their strenuous working conditions in agriculture. The labor of women working on kolkhozes and sovkhoses is mechanized less than 20 percent; in animal husbandry—41 percent; and in plant-growing—only 1 percent.

The share of manual labor in agriculture is presently 71 percent, which is two times higher than in industry. The level of traumatism per 10,000 workers in agriculture is 1.8 times higher than in construction and 20 percent higher than in industry.

The level of trade, consumer, and cultural services in the countryside is not sufficiently high. As of 1 January 1988, more than one-third of all rural settlements did not have stationary trade enterprises, two-thirds lacked public catering enterprises, and 75 percent lacked consumer services centers or integrated receiving points.

In 1987 there were 97,000 daytime general education schools in rural areas. Almost one-fifth of these schools operated in two and three shifts. Permanent preschool institutions accommodate 39 percent of the children of the corresponding age [in rural areas] compared with 70 percent in urban settlements.

The level and quality of medical care also lag significantly. The physician-to-population ratio, number of outpatient clinics, and availability of emergency care for the rural population are approximately half that of the urban population. House calls are for the most part handled by paramedical personnel.

One of the most acute public health problems is the high level of infant mortality in the first year of life, particularly in rural areas:

**Number of Infant Deaths Under 1 Year of Age  
Per 1000 Births**

|      | Total<br>population | Urban<br>population | Rural<br>population |
|------|---------------------|---------------------|---------------------|
| 1970 | 24.7                | 23.4                | 26.2                |
| 1975 | 30.6                | 26.8                | 37.0                |
| 1980 | 27.3                | 23.5                | 32.5                |
| 1985 | 26.0                | 21.7                | 32.0                |
| 1986 | 25.4                | 21.1                | 31.4                |
| 1987 | 25.4                | 21.1                | 31.5                |

While there has been no substantial positive change in the nation's infant mortality in the last 10 years, this indicator has declined 1.5-2.2-fold in France, the USA, Great Britain, Japan, and the Federal Republic of Germany. Infant mortality in the USSR is currently 2.5-5 times higher than in these countries.

The highest infant mortality is typically found in areas with a high birth rate: in the Central Asian republics

where frequent births have a negative impact on the health of mother and child. The current life expectancy

of the rural population is 1.9 years lower than that of the urban population:

**Life Expectancy at Birth (Number of Years)**

|           | Urban population |       | Rural population |       |
|-----------|------------------|-------|------------------|-------|
|           | Men              | Women | Men              | Women |
| 1975-1976 | 64.1             | 73.2  | 61.0             | 71.6  |
| 1979-1980 | 63.0             | 73.0  | 60.8             | 71.5  |
| 1985-1986 | 65.0             | 73.8  | 62.5             | 72.2  |
| 1986-1987 | 65.8             | 74.3  | 63.5             | 72.8  |

This indicator is lowest in the rural areas of Central Asian republics and the Moldavian SSR as well as in certain areas of the RSFSR (Novgorod and Pskov oblasts, the Mari ASSR, Smolensk and Kalinin oblasts).

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### Freight Tariff Structure Examined

18290079 Moscow *EKONOMICHESKAYA GAZETA*  
in Russian No 50, Dec 88 p 17

[Article by V. Stepanenko, deputy chairman of USSR Goskomtsen [State Committee on Prices of the Council of Ministers]: "New Tariffs for Freight Transport"]

[Text] The existing system of tariffs for freight transport and the principles of its structure do not correspond to the conditions of the economic activity of transport enterprises on principles of full cost accounting and self-financing. For example, the same transport is unprofitable for some enterprises and superprofitable for others. The transport sectors are compensated not only for valid expenditures, but also for all excess expenditures and nonproductive losses. Freight transport tariffs are not intercoordinated by types of transport, and this fails to contribute to optimum distribution of transport operations and leads to a delay in transport and an increase in expenditures.

The rates for each type of transport are, essentially, formed and changed separately from other freight tariffs. For example, they were radically revised for railroad transport in 1955, for motor vehicle transport—in 1982, for maritime (in coasting trade)—in 1975 and for river—in 1974.

The tariff system reflected the command-directive methods of management of the transport process inherent in the former economic mechanism. The method of the dictate of the clientele over the conditions of paying the transport cost was firmly introduced into the practical work of price formation. The form of constructing tariffs, the different prohibitive conditions and the restrictions placed the clientele in an unequal position when using different types of transport. Within the limits of each of them a large spread was in the efficiency of transport by types of freight, directions of transport and type of rolling stock. As a result, the railroads, for example, where profitability in transport for different freight fluctuates from -40 to +500 percent of the expenditures, were not interested in a uniform fulfillment of the transport plan according to the entire products list.

Mass freight, such as building and timber materials, grain, ore and ferrous metals are transported with below-average profitability. Transports of perishable cargoes in refrigerators, fertilizers, coke, shale, glass and Moscow coal were excessive. The profitability of shipments of products of the light, chemical, radio-engineering and electronics industries is groundlessly high. The differences in the profitability of shipments by motor vehicle transport are also considerable.

The system of freight tariffs has essentially appeared indifferent to scientific-technical progress. Tariffs have not changed along with the updating of the fleet of rolling stock and the use of specialized means of transport with high operating indicators, and there has been no compensation for additional expenditures for new technical

devices. The tariff system that formed under conditions of a shortage of transport operations and a growing need for them is not oriented toward a rise in the quality of the transport process. All the economic consequences of poor quality and inefficient transport are fully transferred to the recipient of the freight. All this has predetermined the need to revise freight tariffs.

USSR Goskomtsen, in conjunction with the transport ministries and their scientific institutions, has been preparing new tariffs, which will be put into effect in 1990. Just what problems have been solved here?

### The Construction Principles

A revision of the tariffs should lead to the creation of a qualitatively new and intercoordinated system of all freight tariffs, constructed on unified methodological principles. This will make it possible to ensure more efficient use of the means of transport, efficiency in shipments and a reduction in transport costs. In order to avoid the expenditure principle, the level of tariff rates will be formed on the basis of normative cost indicators and the evaluations of the qualitative characteristics of the transport product. It was decided not to consider, as is now accepted, specific designations of cargoes, their cost and other nontransport features.

The tariffs are now being worked out on the basis of transport features—degree of use of load-carrying capacity and load capacity of the means of transport, their type, the type of shipment, its distance and the consignment affiliation. The economic sense of this procedure is that it ensures, for each type of transport, equal advantage for the transport, regardless of the type of shipment, type of rolling stock and region of the country. The consignees also have equally advantageous conditions, since the consumer properties of the transport services will be paid for.

The new tariffs are formed on the basis of the technical-economic indicators of the plan for 1990, with the possibilities of a saving of resources and increase in transport efficiency in the next two years taken into consideration.

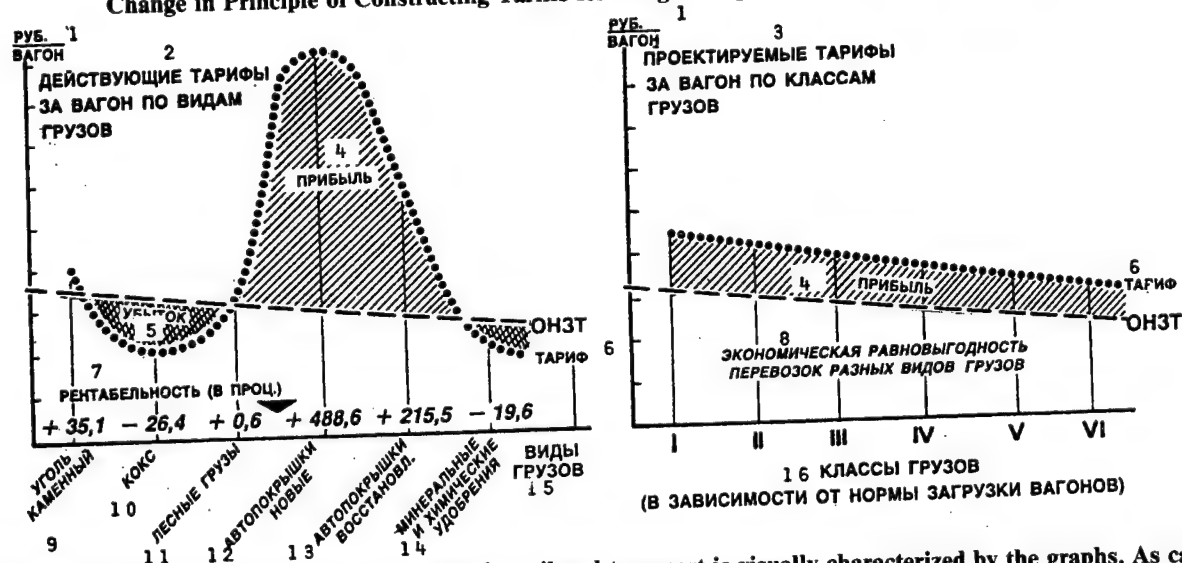
The general level of the new tariffs ensures all the transport sectors financial independence and the necessary profit to create economic incentive funds and payments to the state budget. In consideration of the scheduled rise in prices for diesel fuel, electric power and other physical resources and the norm for withholdings for social insurance, an increase is specified in the level of tariffs for freight transport—30-35 percent for railroad transport, 20-25—for motor vehicle transport, 30-35—for river transport and 35-40 percent for maritime (coasting trade) transport.

The new tariffs make it possible to increase the incomes from cargo shipments by all types of transport by 9.9 billion rubles. The profit will increase by 4.5 billion

### The Profitability of Freight Transport (for 1990, in percent)

| Types of Transport | Profitability for production cost with tariffs |           | Profitability for funds with tariffs |           |
|--------------------|--|-----------|--------------------------------------|-----------|
|                    | existing                                       | projected | existing                             | projected |
| Railroad           | 34.6   | 46.9      | 4.5                                  | 7.6       |
| Maritime           | 38.1   | 56.3      | 6.6                                  | 12.1      |
| River              | 42.8   | 41.1      | 5.1                                  | 6.7       |
| Motor Vehicle      | 19.6   | 26.6      | 20.6                                 | 28.6      |

### Change in Principle of Constructing Tariffs for Freight Shipment by Railroad Transport



The change in principles for constructing tariffs for railroad transport is visually characterized by the graphs. As can be seen, with the existing tariffs, constructed on expenditure principles, the amplitude of sharp fluctuations in profitability according to the types of freight, depending on their cost, is clearly expressed. With the new tariffs, coordination of payments will be ensured for transport with generally necessary expenditures, and the equal economic advantage of transporting different types of freight is created, regardless of its cost.

#### Key:

- 1) rubles/car
- 2) Existing tariffs for car by types of freight
- 3) Projected tariffs for car by classes of freight
- 4) profit
- 5) loss
- 6) tariff
- 7) Profitability (in percent)
- 8) Equal economic advantage of transporting different types of freight
- 9) Hard coal
- 10) Coke
- 11) Timber Freight
- 12) Motor tires, new
- 13) Motor tires, retreaded
- 14) Mineral, chemical fertilizers
- 15) Types of freight
- 16) Classes of Freight (depending on norms for loading cars)

rubles, or by 56.5 percent, which will make it possible for each type of transport to work on the basis of full cost accounting.

The system of contractual prices answers the principles of the new economic mechanism. They make it possible to take into consideration the individual demands of the consumers, stimulate a rise in the quality of the shipments and offer new services to the clientele. We have in mind reduced periods for delivery as compared with the

normative, delivery of products in specially ordered means of transport, nonstandard consignment affiliation and a smooth flow.

### The Specificity of Individual Sectors

In tariff policy, of course, the specific differences and structure of the rolling stock of each type of freight transport are taken into consideration. For example, for railroad transport, three basic groups of tariff payments



can be singled out: for car shipment of freight, transporting it in small consignments and in containers.

The existing tariffs for railroad car shipments contain about 140 tariff systems, attached to specific types of freight. The level of tariff rates depends to a considerable extent on the cost of the freight. The new tariff payments, however, are determined in calculation for a single car and are differentiated on the basis of its weight load and the distance of the transport.

The equal economic advantage of the freight shipments is also ensured by the fact that the norms for profit in the new tariffs are determined on two bases: for door-to-door operations (normative periods for loading and unloading) and for movement, which reflects the out-put capital ratio and labor-intensiveness of the transport. As a result, railroad transport will be equally interested in transporting expensive and relatively inexpensive freight.

In order to accelerate scientific-technical progress in transport, it is important that the tariffs be worked out for freight shipments in specialized cars which ensure a reduction of loss en route, bulk shipment and mechanization of loading and unloading. When types of specialized cars, new in principle, are used, contractual tariffs will be applied, taking into consideration the economic effect for the consumers.

The new tariffs will contribute to an expansion of container shipment and small freight consignments. The payment for transport is established for one container on the basis of the nominal gross mass of the container and the distance of the transport. The tariffs for the transport of all goods in small consignments take account of their weight and the distance of the transport.

A great deal of work has been done to revise the tariffs for water transport, in order to ensure the optimum interaction with other types of transport.

The correlation of tariff rates has been regulated for maritime (river) basins, by types of operations (moving and anchored), the structure of the tariff systems has been changed and the rates of payment for freight transport by railroad and river transport in interchangeable routes have been brought closer together.

Tariffs for freight shipments by motor vehicle transport are approved in the union republics. In order to ensure the methodological and normative unity of this work, a unified base prototype of the price list is prepared, for which three basic types of tariffs are specified. The piece-rate tariffs are taken per ton of freight, depending on the mass of the consignment, the distance and the freight class. The greater the weight of the freight, presented at one time for consignment, the lower the cost of the unit of freight. This approach creates an economic interest for the transport customers to form the freight

consignments efficiently and intensifies their effect on efficient utilization of the motor vehicle fleet.

Freight transport is also possible under the conditions of paid motor-ton-hours. The transport payment in this case is exacted for each motor-vehicle-hour of work in transporting freight and for each kilometer of the run with a load, depending on the load-carrying capacity of the motor vehicle.

Finally, hourly rates are exacted for each hour that the rolling stock is at the disposal of the customer and for each kilometer of the run (including empty runs), depending on the load-carrying capacity of the motor vehicle.

All this makes it possible to select a certain specific variant for freight delivery based on the economic efficiency and the quality of transport for the recipient of the freight.

The revision of the freight transport tariffs will contribute to more efficient use of the various types of transport, improvement in their interaction and the creation of conditions for optimizing transport expenditures in the national economy.

## MOTOR VEHICLES, HIGHWAYS

**'Tavriya' Car Production Problems Examined**  
18290046 Moscow KOMSOMOLSKAYA PRAVDA  
in Russian 30 Nov 88 p 6

[Article by I. Sichka (Zaporozhye): "'Tavriya': The Phantom Car"]

[Text] The case in the eyes of a reporter.

We have become tired of waiting, we have long been tired of waiting, for this vehicle. Six years ago the press began, for the first time, to speak about a new model, ZAZ-1102, from the Zaporozhye Motor-Vehicle Plant. Photographs of test models and the main specifications were shown. From time to time importunate reporters drove the new vehicles, and they then told the readers about their exciting impressions. It turned out that it had, just like the Zhvanetskiy: "...sound, color, crackle, and squeak, the only thing is it has no taste." It did not appear after that, even a year ago, when TASS distributed information about production of the first lot of the new vehicles....

Later one well-known director said that on the first day after the appearance of the information he had almost half a hundred people on the waiting list at the enterprise. Surprisingly, in its consumer qualities the Zaporozhye's Tavriya is not much inferior to the VAZ's [Volga Motor-Vehicle Plant's] "No 8." A water-cooled 50-hp engine. Front-wheel drive, average gasoline consumption 6.2 liters. A modern design. But the main thing

is the price: 5,100 rubles altogether. The total, of course, is not small but in comparison with the up-in-the-clouds prices for new Zhiguli and Moskvich models it is completely acceptable. If one does not consider for the time being the hazy Oka, then the Tavriya can become the first more or less personal vehicle accessible to people who are not in the high income categories. It is accessible to youth.

Perhaps, but it has not become so yet. Neither last November, nor in the last few months, has the market received a single car for sale. The "new thing" proved in reality to be premature. Ordinary Zaporozhets's have been coming off the assembly line, as before.

A year has passed since then. What has changed at the plant? The main difference can be observed without crossing the entrance threshold. New Tavriya's with private plates have been appearing on the streets of Zaporozhye. But it is still too early to shout "hooray" and clap one's hands. These vehicles are being sold, for the time being, only to the autoplant's workers. This practice has been adopted in the whole automaking world: the first copies are "examined" for reliability by the makers themselves. But when will it be possible to convince everyone else of the actual advantages of the new vehicle? Let us take a look in a department.

The welding conveyor line moves forward slowly. Not a single person is alongside it. It is entirely separated from the aisle by a barrier. Only automatons work there. It comes up to the next car body and stops. Several handlers, like the tentacles of a big octopus, grasp it on various sides and instantaneously place the welded joints at the necessary points. One-two, it is ready! Then to the next operation. Blanks are fed, also automatically, to special workpiece storages. Computers control the work process completely. Only a duty operator sits at the control panel, with its lights of various colors and buttons. This is flexible automated production. At any moment it can be reset for another type of output. Just feed a new program into the computer. The names of Italian and West German companies are on the major parts of the robots, although one also comes across the VAZ brand.

Unfortunately, all this modern equipment stands still a major portion of the time. Tens of vehicles per day—this is not a fast pace. The full annual program calls for the production of 150,000 cars. But that is still far off. The new building for the assembly department is still just being built. There is a mass of equipment in the installing and setting-up stages. The plant had planned to produce 21,000 new cars this year. Barely more than a thousand have yet come off the line. How did things get like this?

I am afraid that if I start to list all the causes there will not be enough newspaper columns. Most of them have their roots in a period of stagnation.

"The Tavriya, although it is somewhat like the VAZ's No 8, was made much earlier," says B. I. Vutenko, the plant's deputy chief designer. "Back in 1981 we were practically ready to put it into mass production. But, as you see, today it has reached only the conveyor stage."

Many years were spent on confirmation and coordination, the issuance of funds and ceilings and, finally, on the struggle with the long, drawn-out construction process. The fact is that it was impossible to produce the new car in the existing space. The Kommunar Motor-Vehicle Plant is situated in buildings, many of which still have a pre-Revolution history. Modern equipment, for which new buildings had to be built, had to be bought abroad....The car, meanwhile, was becoming obsolete, and the designers constantly had to revise the drawings.

"During these years," said B. I. Vutenko, "we changed five models. Right now we are oriented to the next model, the Reko."

"In other words, the designers were compelled to work not on surpassing world-class automaking but to minimize the lag behind what had been made in the West. The latest modification of the Tavriya has never seen the light, it died on the assembly line."

"Perhaps now all these tribulations are now behind us, and the business has hit the road? If only that were the case!"

"When the five-year plan was formulated, we were given 224 million rubles less than required for rebuilding," declared S. I. Kravchun, general director of AvtoZAZ [Zaporozhye Motor-Vehicle Plant Production Association]. "We have now converted to economic accountability and self-financing, and we no longer see money from centralized sources. And our deductions from profit for such enormous rebuilding are not enough. We had to get credits at the bank and go into debt."

"Bank credit is a completely natural thing under economic accountability. Now the money has been found, but the dogged path of the administrative bureaucracy still has not weakened. Now we must go begging again to the ministry and Gosstroy. On this occasion to ask them to get money for the plant. Speaking in bureaucratese, to ask for ceilings on the construction work. If we add to this the impossibility of freely buying the needed equipment and outfitting items, then it becomes clear why, even according to the boldest assessments, coming up to design capacity before 1991 is not realistic."

Meanwhile, the Tavriya created a favorable impression at a recent European auto show, and leaders of France, England and the FRG have shown interest. However, all the demand has met with refusal this year. It is no use to sell for the time being.

But money is needed for rebuilding. Not money that comes from a printing machine but that which is taken

from passbooks. We need it not tomorrow or the next day, we need it today. Yet money is lying as dead capital in machine tools and automated lines that still are not working and are becoming obsolete even before the birth of their cars, and in the uncompleted walls of the assembly department....Millions of rubles in dollars and pounds are lying around pell-mell. Indeed this is a real "field of miracles," not at all from a land of fools. Try these figures. The prime cost for serial production of a Zaporozhets ZAZ-968M is 1,680 rubles, and the retail price is 3,900. Of this amount, 200 rubles remains at the plant, and 2,000 goes as pure profit into the cash drawer. That is, plant a ruble and three have grown. While with the Tavriya it is even four. But the "sowing" alone for it has stretched out now by about 10 years....

In the autoplant's museum my eyes fell on a curious photograph. It showed a combine rolling along a Moscow street. On its side was written: "Kommunarovets." Production of this combine at Zaporozhye started in 1930 and the first serially produced copy was a gift to the 16th VKP(b) [All-Union Communist Party (Bolshevik)] Congress. Its production was arranged in a total of five months. An astonishing period for modern times....

### **Causes of High Incidence of Road Accidents Detailed**

18290039 Moscow PRAVDA in Russian 16 Nov 88 p 6

[Article by V. Davydov, deputy chairman of the Central Soviet of the All-Russian Volunteer Society of Motoring Enthusiasts: "Who Will Be Next? The High Accident Rate on the Country's Highways"; first paragraph is PRAVDA introduction]

[Text] Every year, on the nation's highways, about 40,000 people are killed and 260,000 are maimed, as the result of which half of those suffering become invalids or die prematurely. Almost three-fourths of the victims are owners of personal motor vehicles and motorcycles. Who should stop this bloody "conveyor"?

In order to cure an illness, you must know the precise diagnosis of the ailment. In this situation it is important to have a thorough knowledge of a great calamity, an increasing calamity—for the state of affairs cannot change for the better from just one emotional verification of a social evil. Extreme measures must be taken, right up to working out and approving a national program to combat the transport accident rate.

The entire country mourned and lived through the wreck of the motor ship Admiral Nakhimov. With respect to the number of victims during the year, however, 100 such accidents take place in motor vehicle transport. There are few people who know about this. Accidents happen because often the driver's confidence is totally unsupported. Not a single driving school gives the driver sufficient experience.

Therefore, there must be a change in the approaches to instructing people, and mainly—the programs, placing special emphasis on studying the rules of behavior behind the wheel, the standard of driving and acquisition of safe habits, through reducing the time for studying the motor vehicle. The situation method of instruction also merits attention, since it is easier to understand when evaluating a situation that arises and more specific when determining the correct actions for a driver under complex situations. A road-hog leaves a bloody trace on the pavement.

In my opinion, accidents are the manifestation of "lack of organization" in many spheres of life. Our roads are narrow and broken up, with many intersections on the same level, and are poorly maintained, particularly in winter, and therefore have a large number of painful accident points. Let us consider speed. It is a fact that our roads and speeding motor vehicles are incompatible.

Food for thought. For every 100 people who have suffered on our highways, 13 have died. In the GDR and the ChSSR—3-4 persons, in the FRG—2 and in the United States—1.3 persons. In other words, the severity of the results of the DTP [highway transport accidents] in the United States is 10-fold lower than in our country. One-fifth of all accidents are the result of the disparity of speed and highway.

Let us take the lack of legal organization. At this time there is no existing law which everyone is obligated to fulfill.

Let us now look at the moral lack of organization. Among the owners of individual means of transport, there are many road egoists, who do not make their behavior behind the wheel commensurate with the interests and safety of other participants in the traffic. Is it really a rare situation when you go to pass a slow moving vehicle, and its driver immediately increases speed, simply to keep you from passing? Or you go from a secondary street to a main one: You cannot simply merge into the flow. The egoist, as a rule, always "steals" into the left hand lane when the right one is free. Basic boorishness often has sad consequences.

Almost one-fourth of all road-transport accidents are the fault of drunken drivers. The force of democracy is not lenient toward violators, which is specifically displayed in the yearly amnesty for thousands of drivers and in the strength of the defense of the interests of the majority, for a drunk behind the wheel inflicts much grief on totally innocent people.

We should all raise the standard of the person behind the wheel and his "road" courtesy. We must be more sensitive and attentive to all the people on the road, and to pedestrians and other drivers.

There will not soon be straight, wide roads, with intersections on different levels, and roads free of ice will not

soon become a reality. Does this mean that we are powerless right now to reduce the accident rate? In no way! Is something really insurmountable keeping us from being strict with ourselves when behind the wheel of a motor vehicle, and attentive to others? Traditional measures of educating vehicle violators—moral admonitions, lectures and fines have proved to have little effect. There are many reasons for this. One of them is the lack of skill of the GAI [State Motor Vehicle Inspectorate] workers in respectfully and politely explaining to the drivers.

The All-Russian Voluntary Society of Motoring Enthusiasts (VDOAM) and its local organizations could take on the right to investigate the violations and adopt a set of measures for action—from warnings to taking away driving licenses. The mark of the action on the violator, when discussing his misdemeanor with the participation of other persons of his circle (this is important!) will be deeper than a one-to-one conversation on the road. The social effect can be more varied, including the use of measures of confidence, putting him on probation or even a monetary fine “as security.”

Food for thought. Often the victims on the road are pedestrians, people who have no motor vehicles or motorcycles. In the past, in 1987, in our country about 13,000 persons perished, or more than in the United States, England, France and the FRG put together.

It seems to me that the right to establish new forms and approaches to problems of reducing the accident rate should belong to the body that is concerned with this problem. Who among us is to answer for the accident rate? At the state motor transport—it is an administration. In private motor transport—there is no one. In this connection one sometimes remembers the All-Russian Voluntary Society of Motoring Enthusiasts, but considerably more often—the GAI and the local Soviets of People's Deputies. But GAI is an inspectorate, a monitoring body, putting order into the movement of means of transport.

With only one-fifth of all the motoring enthusiasts joined in its ranks, the society and its local councils have no points of contact with the basic mass of drivers and cannot affect them. As for work with the members of the society, it can be said: in a number of cities and areas of the RSFSR, particularly where the heads of the councils are energetic and innovative people, a great deal of good is being done and motoring enthusiasts treasure their membership in the society. How can they help but treasure it, if the troubles connected with storing and operating motor vehicles are removed, and among all motoring enthusiasts—members of the society in Kaliningrad (Moscow Oblast) there has not been a single road-transport accident in four years. Incidentally, as a whole among the driver-members of the society, the accident rate is considerably lower.

VDOAM is called upon to carry out multiplanar financial-production work in satisfying the various services and needs of the motoring enthusiasts: instruction, housing means of transport and their technical service and repair. VDOAM has a quite significant social-humane purposefulness: to protect people's life and health. There are now 10,000 motoring enthusiasts—members of the society unselfishly are on duty on the city streets. They take part, along with the GAI workers, in special assignments and go to general education schools and professional-technical schools to instruct children and teenagers on the rules of road safety.

The councils of the society build parking lots for open storage of vehicles and cooperative garages. Just this year our new educational-production complexes are being put into operation in Sverdlovsk, Ufa and Cherepovets. The foundation has been laid for a modern motel near Penza. The network of points for technical service and repair of motor vehicles and self-service stations is expanding. The number of cooperatives for councils of the society is growing and individual activity on service for the population is being encouraged. Our councils show the assistance of motoring enthusiasts in acquisition and delivery, particularly in remote regions, of spare parts, tires and batteries. However, the amount of this work is scanty as compared with the ever growing needs for vehicle services, particularly in offering places to store motor vehicles.

In the past year, estimated per member of the society (and they number about 2.5 million persons), about 16 rubles worth of service was rendered. That is very little, undoubtedly due to the fact that the society in many ways runs idle and cannot cope with the tasks imposed on it. We are hindered by the passivity and inability of some of our state workers, and at times by the indifferent attitude on the part of the local party and soviet bodies and poor interaction with the State Motor Vehicle Inspectorate. The numerous, so far stably operating instructions of the society are twisted in all directions in problems of wages and incentive.

It must be said that our society is fully self-supporting and turns over, without interest, for deposit in Gosbank, considerable sums—over 50 million rubles. But it is not the master of these assets.

In order to obtain the necessary number of driver's education vehicles and fuel, one must go through USSR Gosplan for six months, with an outstretched hand. If you succeed in obtaining it, then at best it is at a level of 60-70 percent. Can this procedure really not be carried out in a simple and stable manner? In exchange for 5 million rubles of the plan for everyday service to the population (for motor vehicle repair), nothing was officially allotted—not a bolt, not a nut.

Having taken on the functions, how many picturesquely speak of the “socially-rightless ministry of motoring enthusiasts,” by going all out and trying to do something,

and in most cases passing off what was desired as the real thing, the society involuntarily destroys the hopes of many motor vehicle and motorcycle owners. The mass of critical, and sometimes unbearably sarcastic letters that arrive at our Central Council is a unique reaction to its present state of affairs.

The 4th congress of the society, held this year, did not determine any specific prospects for its development and improvement. The attempts of the RSFSR Council of Ministers to help the society solve the one-time problems and difficulties did not create a stable base for its efficient functioning. It is not surprising that, as the result of such meager help for the motoring enthusiasts in solving their problems, formalism and bureaucracy in the work of many councils, right up to the Central one, the overwhelming mass of motor vehicle fans has developed a persistent misapprehension of its necessity and usefulness.

The country and the motoring enthusiasts need a businesslike and authoritative union, with a voice in problems of motor vehicle building and price formation, that is responsive, able to protect the driver when needed. It needs a society with cooperative garages and parking lots, cooperatives for repair and service of means of transport, camp grounds and motels, clubs, magazines for spare part sales, sections and workshops for do-it-yourself vehicle building and many other things.

Only a comprehensive approach, with a basis formed by efficient education and satisfaction of the various demands of the masses of motoring enthusiasts can successfully solve the matter of combating the accident rate.

## RAIL SYSTEMS

### Minister Evaluates Rail Performance, Problems

18290073 Moscow ZHELEZNODOROZHNY  
TRANSPORT in Russian No 11, Nov 88 pp 2-16

[Article by N.S. Konarev, member of the CPSU CC and USSR minister of railways: "On the Course of Restructuring, Renewal, and Democratization"]

[Text] The country is now in its 4th year along the road of renewal which began with the April (1985) Plenum of the CPSU CC, and it is in its 3d year of the effort to implement the historic decisions of the 27th party congress. The 19th All-Union Party Conference convincingly demonstrated how important this time is to our people and to all humanity. For 4 days, an extensive and open discussion, unprecedented in its frankness and directness, took place in the Hall of Congresses in the Kremlin concerning the country's present and future and about achieving irreversibility of the revolutionary restructuring that has been initiated. A straightforward political and economic program was drafted on all fundamental issues, many of which were revealed during

the nationwide discussion of the Theses of the CPSU CC. The party conference reconfirmed and adjusted the strategic course of the party toward acceleration of our society's socioeconomic development. The entire Soviet people fully supports and approves this line of the party.

The decisions have been made, there is important work to be done. And the main thing now is to do the job boldly and thoroughly and to solve the specific problems without waiting for additional instructions and circular letters. Railroad people perceived the resolutions of the party forum as a program for action, and they are filled with determination to direct all their strength, knowledge, and creative energy to successful implementation of what has been outlined and to make a worthy contribution to our society's revolutionary renewal.

Today, relying on the decisions of the July (1988) Plenum of the CPSU CC, the results of the branch's performance in the current FYP needs to be thoroughly analyzed, what has been achieved needs to be objectively evaluated, and specific strategies have to be outlined for the improvement and further development of rail transport.

### Results Achieved and Unsolved Problems

Rail transport has finished the 1st half of the 12th FYP with rather good results. Consumers were delivered 142 million tons more freight than the plan called for in the first 2.5 years, including 43 million tons of coal, 31 million tons of grain, 13 million tons of iron ore, 19 million tons of petroleum and petroleum products, 13 million tons of ferrous metals, 6 million tons of fertilizer, 5 million tons of cement, and many other types of freight for the national economy.

The labor productivity of personnel employed in operations rose 18 percent over that period, which exceeds by 2.6-fold the target contained in the plan, while wages reached 276 rubles. The most important principle in development of a socialist economy—that labor productivity rise faster than wages—has at the same time been unwaveringly observed. All of this made it possible to increase by more than 3 percent the volume of traffic with an operating force (in the principal activity) which was 280,000 persons smaller. In all, rail transport reduced its labor force by 307,000, more than 160,000 of whom went to work in other sectors of the economy.

The volume of passenger traffic has been growing at a faster pace. The milestone of 402 billion passenger-kilometers, which the 5-year plan set for 1990, was reached back in 1987. This trend is continuing this year as well.

In the 2.5 years of the FYP, the branch has earned more than 1 billion rubles of above-plan profit, including about 370 million rubles in the 1st half of 1988, while the cost of carrying freight dropped 2.2 percent. The production potential was substantially strengthened. Some



1,270 km of new lines were built, more than 1,560 km of second track were laid, and the network of main lines equipped with automatic block signaling increased by 3,400 km. The pace of electrification has risen to 1,000-1,300 km per year. Stations, junctions, and depot and plant repair facilities have undergone further development. The Kuybyshev and Novosibirsk subways went into service, and new sections of underground lines went into service in Moscow, Gorkiy, Tashkent, and Leningrad. The fixed capital of rail transport has grown substantially as a consequence.

There has been change for the better in construction of housing and facilities in the social service sector. By comparison with the 11th FYP, the average annual amount of housing opened to tenancy increased 16 percent, the opening of children's preschool institutions 6.6 percent, and the opening of polyclinics 70 percent.

The results of work in the 1st half of the current FYP give us every reason to believe that we possess everything necessary for successful performance of the tasks which have been set us. Nevertheless, we cannot by any means rest content with what we have achieved. After all, if you look into the thing more deeply, it is not difficult to realize that the results achieved could have been substantially surpassed. No one has relieved us of fulfilling the targets of the FYP over the entire range of internal and external economic activity. By stepping up our efforts, then, by the end of the year we need to offset certain losses that occurred in the freight traffic plan for the 1st half of the year, seeing that at least 2,100 billion tons of freight are shipped in the 2d half of the year, to handle a passenger traffic of 233 billion passenger-kilometers, to earn 200 million rubles of above-plan profit, to render 100 million rubles worth of additional services to the public, and to organize the above-plan production of 5 million rubles worth of consumer goods. Attainment of those targets guarantees that the branch will achieve the high figures envisaged by the FYP for the current year.

All the major transformations in the branch which have been outlined and which are being carried out today must work vigorously toward performance of the tasks which have been set. Among them, we should specifically single out the radical economic reform, the program for radical modernization, intensification of operations, social issues and personnel policy, and achievement of complete traffic safety. In view of the particular importance and complexity of these key lines of effort, we need to examine them more thoroughly.

#### **In the Context of Cost Accounting (Khozraschet) and Self-Financing**

Rail transportation has been operating in the context of cost accounting and self-financing for more than 10 months now. The effectiveness of the new economic methods of doing business has been altogether confirmed: the independence of production collectives has broadened, they have become more interested in the end

results, and closer dependence of income on the operating efficiency of transportation has been ensured. The organization of operations and utilization of rolling stock have improved. Compared to the same period of 1987, there has been an improvement in the level of fulfillment of the schedule for movement of freight and passenger trains, freight car turnaround has improved by 2.4 hours, and the standing time of freight cars in freight stations and technical stations has been reduced. The average daily transfer between railroads has reached almost 392,800 cars, thereby exceeding the planned level by 1.5 percent.

The sector's transition to the new economic methods was preceded by painstaking preparatory work. The method of the Belorussian Railroad, approved in the 27th party congress, was the first stage in testing the principles of the new economic mechanism in rail transport. It made it possible to discover considerable untapped potential and to use it effectively. Thanks to its application in the country's railroads, during the first 2 years of the current FYP labor productivity was raised 14.9 percent and wages rose 12 percent, while there was an increase in freight and passenger traffic.

The experience of the Dnieper and Southwest Railroads, which in 1986 made the transition to the new economic conditions as an experiment, played an important role in preparing rail transport for the transition to economic methods of management. The entire network began to operate under those conditions in 1987. At the same time, the Belorussian Railroad, whose collective had again been the initiator of a search for new economic mutual relations in transportation, moved on to full cost accounting and self-financing. All of this made it possible to "run in" the basic principles of the new economic mechanism under real conditions and to avoid many mistakes in the branch's transition to full cost accounting and self-financing by looking to the experience that had been gained.

Even today, we can draw the conclusion that in transportation there is no alternative to the economic reform aimed at improving the economic mechanism, at vigorous use of cost-accounting methods of management, and at the development of commodity-money relations. At the same time, practice has raised a number of serious problems of vital importance to the normal activity of rail transport. A number of questions has dropped from sight, while others have not been worked out satisfactorily. After all, if we are to be strict about it, we cannot suppose that our branch has made the transition to full cost accounting; it is receiving a subsidy from the state, quite a sizable one.

Take, for example, the planning system. Why in many cases has it become unprofitable for the railroads to accept strenuous plans? The reason is that the economic levers now in effect do practically nothing to stimulate this. Enterprises feel that it is better for them to adopt a plan that has been set low and to overfulfill its targets.

This is, of course, based on overcautiousness and a desire to fulfill the plan without particular effort.

This is also largely the result of parts of the branch's economic policy which are not altogether complete. So far, the state order—the most important element in planning—has not been worked out. Its performance is quite frequently disadvantageous for the railroads. They incur losses from carrying the freight representing the state order, since the rates of income are considerably lower for that freight than the average. That situation is undermining the foundations of the economic reform in rail transportation.

Transportation economists must study thoroughly the situation that has come about and promptly seek economic levers that would guarantee motivation of the railroads to adopt strenuous plans. There is also a need to thoroughly analyze the system of economic incentives aimed at improved utilization of rolling stock, at performance of adjustment discipline, and to include the necessary repairs in that schedule. The economic measure has now been adopted whereby responsibility for nonfulfillment of the plan for loading and delivery of empty cars after adjustment has proven not to be effective enough. On almost all railroads, the losses resulting from failure to meet those targets considerably exceed the maximum amount of reduction of the material incentive fund.

Economic quotas need to be more thoroughly substantiated. Many of them only stimulate a lack of initiative, and they do not act as an incentive for creativity, but rather make people sluggish. After all, today some railroads receive sizable profit literally without raising a finger, while others barely make ends meet through extremely strenuous effort.

The problem of the relations among the railroads, of their accountability to one another for adherence to the technology in road operations and in repair of equipment, has become particularly acute. Rail transportation is the only centralized and extraterritorial transportation system, so that disruptions on a particular main line are fraught with the most serious consequences both for neighbors and also for the entire network. A campaign has accordingly developed in rail transport for the drawing up of economic contracts. But managers of some railroads are trying to evade their conclusion and economic accountability for their mistakes. We must demolish that brake mechanism. A spirit of irresponsibility and dependence is not permissible among railroad workers.

We need to dwell particularly on the independence of enterprises in rail transport. It is directly related to the issues of social justice in distribution of the branch's income. It is no secret that we have both highly profitable enterprises and also those which are unable to yield a high profit. But this network of ours is a unified mechanism in which every railroad is inseparably bound

up not only with its neighbors, but also with other railroads. Given the specific nature of transportation, we must not copy the cost-accounting relations among industrial enterprises. At the same time, we cannot prepare the ground for development of narrowly departmental egoism either. Independence has to be perceived above all as irreproachable performance of obligations to the state, as the ability to exercise one's rights broadly in order to stimulate the collective, and as an endeavor to include every member of the collective in cost-accounting relations.

In the 1st half of the FYP, as already noted, railroad workers achieved a sharp rise in labor productivity. These results were achieved largely thanks to mastering the Belorussian method. But its application has for all practical purposes been completed in the operations sphere. Now these principles for raising labor productivity and wages have to be extended to other transport personnel. The target that has been set—of raising labor productivity at least 28 percent by the end of the FYP—has to be achieved. Today, we associate its performance with two most important factors: with the application of cost-accounting relations everywhere and with the all-inclusive retooling of the branch.

The application of progressive forms of the organization of work and above all broad development of the collective and family contract constitutes a most important potential for raising labor productivity. It makes it possible to do more work at a high level of quality with fewer people, to use worktime effectively, to actively inculcate in workers an attitude of intolerance toward mismanagement and wastefulness, and it encourages initiative and enterprise.

The experience of transportation construction organizations working on the collective contract in 1987 showed that the production and financial indicators of enterprises that made the transition to the new forms of the organization and remuneration of work went higher than the averages for the entire network. The subdivisions which made the transition accounted for 85 percent of above-plan profit, and the growth rates of their labor productivity were 7 percent higher than the growth rates of wages. But other enterprises and organizations in transportation are as yet making little use of the potential of the brigade contract, the lease, and the family contract. This is usually related to a reluctance on the part of many managers to assume financial liability for failure to provide normal working conditions and for shortcomings in the supply of materials, raw materials, and replacement parts.

Now that the USSR Law on the State Enterprise (Association) has taken effect, it has become particularly important to develop the collective contract. Specific measures to disseminate it widely have been outlined in the branch. Provision has been made to work out its principles and draft recommendations for the transition of brigades, sections, and shifts to this progressive form

of the organization of work and work incentives using the facilities of enterprises which have already been applying the contract, such as the Kurgan permanent way division, the Kuybyshev Car Depot, the Slavyansk Locomotive Depot, the Gorkiy-Sortirovochnyy Car Depot, and a number of others.

The cost-fighting mechanism has so far not been operating effectively enough. In the 1st half of 1988 alone, the costs of the transport process rose almost 5 percent over the same period of last year. Operating resources are being overexpended in most divisions: 56.8 million rubles in the car division, 48.5 million in the locomotive division, and 11.8 million in the traffic division. We are losing out on profit because freight trains and passenger trains are not running on time, because the turnover of cars has slowed down, and because rolling stock repairs are taking more than the standard time allowed. The branch's losses from breaches of rail traffic safety average tens of millions of rubles per year. Shortages and spoilage of freight shipments and other unproductive expenditures cost us another 20 million rubles of losses per year.

A serious effort needs to be made to refine the economic mechanism and to improve the economic performance and financial position of the branch. To be specific, we have to repay bank credit, mobilize resources in capital construction, and make up the shortage of resources for major repairs. A stewardly attitude toward the use of energy, physical and labor resources, toward everything which rail transport possesses, is taking on particular importance. An economy regime is the right way to augment profit.

Rail workers have gained quite a bit of experience in thrifty and effective use of resources. Practically all locomotive crews are operating to conserve fuel and electric power. A vigorous effort is being made to conserve fuel and power in stationary facilities. Progressive technologies for repairing rolling stock and other equipment guarantees a substantial savings of metal and other materials. Thrifty conduct of operations has to be guaranteed in the future as well, and a barrier has to be set up against unproductive expenditures, freight losses, and operating losses.

According to the forecasts of economists, the growth rates of freight traffic could drop in the very near future. The reason is that economic levers are beginning to take hold in the economy and there will not be as many shippers for inefficient transport. A situation could come about in which the required volume of traffic does not occur, which would threaten the financial prosperity of the branch, would reduce income, and would adversely affect the rise of labor productivity.

It also needs to be borne in mind that the upcoming reform of pricing, the intended revision of wholesale prices, purchase prices, retail prices, and rate schedules will not automatically bring about an increase in profit

from transport operations. As calculations show, the entire amount represented by the rise in rates will mainly go to cover operating costs of the railroads, which will increase because of the upcoming rise in prices of fuel, electric power, raw materials, and supplies and the increase in social security deductions and also payments into the budget for fixed productive capital.

Railroad people must accordingly change their attitude toward all aspects of the activity of transportation enterprises and organizations and guarantee a rise in their income. Contract prices and rate schedules are taking on particular importance here. Unfortunately, by no means everyone is giving this form of relations with consignees and shippers the appraisal it deserves. At present, the effort to conclude contract rate schedules, including those for shipping freight, is unsystematic. Few people are attributing the proper importance to improving the quality of transportation services, to guaranteeing the promptness and smoothness of freight delivery, and to the preservation of freight in freight yards and en route. Many freight shippers still do not believe in the guaranteed improvement in the quality of transport service and in the reality of obtaining an economic gain on that basis.

This effort has to be restructured and intensified. A target program for improvement of the quality of transportation services to customers should be drafted and carried out on every railroad. As the new economic mechanism is introduced everywhere, railroad personnel must thoroughly master all the subtleties of commercial work and display astuteness and businesslike enterprise in management of traffic. The task is not only to attract the maximum amount of freight, but also, by widely applying contract rate schedules, to guarantee quality delivery of that freight on time. Today, rail transport is able to reliably accept all freight for shipment. And if only one-tenth of the traffic is carried at contract rate schedules, the branch's income will increase by 500 million rubles.

There is quite a bit of untapped potential in the passenger complex. It is now yielding about 20 percent of income, but this is clearly not enough. More creative initiative is needed in organizing passenger service, in providing additional services in trains and in stations, for appropriate payment, of course. It needs to be remembered in this connection that an increase of services to passengers means not only a growth of income for the branch, but also performance of important social tasks.

Quite a few examples could be given of initiative and enterprise in this area. As is well-known, cars not being used on the road and in the wintertime even cars temporarily out of service recently began to be used to provide lodgings at stations and in terminals. Personnel on the Moscow Railroad have this year alone been able to earn about 1 million rubles from the "hotels on wheels." They have also mastered another lucrative form

of services to the public—home baggage delivery. The results have not been slow in coming: passenger complaints related to this have dropped off, and the railroad received an additional 500,000 rubles in revenues.

Unfortunately, by no means everyone has as yet learned to do business that industriously. Yet practically all transport enterprises could be rendering paid services to the public and seeking out untraditional sources of income. The opportunities here are truly inexhaustible. Personnel of the car depot at Riga-Passazhirskaia were able to organize a video bar in their own train, and now there is no end to the passengers wanting to rest en route in the video bar, and this is additional income for the car depot. In vacant underground rooms of the Kharkov subway, they have begun to grow 30 tons of mushrooms for sale every year. There are also vacant rooms in some of the terminals and depots. Why not rent them out at profitable terms to consumer-service combines, to cooperatives, or to organizations of some other kind? Incidentally, that same Kharkov subway is paid quite a bit of money by cooperators to locate their trade outlets in the underground corridors.

The cooperative form of services to the public is only beginning to develop in rail transport. The volume of services rendered by cooperatives and their production of consumer goods is quite small. But it is not just a question of the volume, but also of the content of this activity. It has to be stated frankly that the cooperators are not yet tackling the big jobs that have the first priority. Development of the cooperative movement is also greatly impeded by its lack of plant and equipment. Managers in the transportation system should give serious thought to ways of organizing this important direction of economic restructuring and guiding it into the necessary channels.

Production of consumer goods is a most important source of additional income. But at present, we are not sufficiently involved in this. The annual plan for production of these goods amounts to only 88 million rubles in the branch, and they are manufactured mainly at plants. At present, a comprehensive program has been drafted for development of the production of consumer goods. It calls for an increase in their volume, an expansion of their assortment, and an improvement of their quality. Specialized sections are to be organized at all plants in the near future, at five plants specialized shops will also be created to manufacture clothing accessories and housewares, furniture, structural fabrications, and wood-polymer sheets.

In the light of the documents adopted at the All-Union Party Conference, constant and purposive concern should be paid to improving the structure of management of rail transport. Today, the branch does have the Master Chart, which has been approved by the USSR Council of Ministers. But even it needs to be refined. Unification of certain railroads, departments, and small

line enterprises and above all the elimination of unprofitable organizations, represents a large potential for raising the economic efficiency of the branch in the context of full cost accounting and self-financing. On the one hand, the existence of losing enterprises is intolerable in transportation, while on the other all the structural changes must be founded on the principles of the branch's extraterritoriality.

The most complicated situation is with the Baykal-Amur Main Line and the subway. The BAM ends every year with losses amounting to about 200 million rubles. The only thing possible here is either to reduce its disproportionate expenditures and increase its operations or to reorganize it by dividing it into parts and transferring them to neighboring railroads.

The MPS is spending 90 million rubles a year to cover losses of subways. By 1990, the subsidy will amount to almost 150 million rubles when the subways are opened in Sverdlovsk and Dnepropetrovsk.

Beginning on 1 January of next year, subways are to undergo the transition to full cost accounting and self-financing. If they are to experience full-fledged existence under the new conditions, they will have to introduce a calculated rate schedule, and the entire subsidy will have to be offset with resources of city soviets of people's deputies, whose rights in the formation of local budgets have now been substantially broadened.

As is well-known, structural transformations have taken place in the ministry's central headquarters, and staff size has been substantially reduced. But this has had little effect on changes in the function of the structural subdivisions. Unfortunately, even today formal and administrative methods of management have not been eradicated in the branch's headquarters. We must in every way assert the style of responsibility and a businesslike attitude and improved discipline in carrying out orders. Managers at all levels must visit work collectives more frequently, talk to people, and get an insight into their production needs and social needs. Railroad people should envisage their mutual relations with local, city, and settlement representatives of Soviet power in connection with the strengthened role of soviets of people's deputies. This will make it possible to solve the social problems and other regional problems in transportation.

The course adopted by the party conference toward carrying out a legal reform in the country urgently requires a substantial improvement of effort by rail transport and a bolstering of its legal departments. After all, contract relations whose nonperformance is reflected in the cost-accounting income of work collectives are more and more becoming the basis of production relations. In that context, then, the legal department has a greater role; its activity could yield an appreciable economic benefit. We are placing great hopes on departmental arbitration in strengthening contract discipline within the branch.



Still, it has to be admitted that our legal work has not been meeting present-day requirements. Contract discipline is still at a low level, cases of abuses and theft are not uncommon, there is not the order that there should be in guaranteeing preservation of the property entrusted to transportation. Sometimes this has to do with a lack of legal sophistication, incompetence, willful actions by managers, especially in dealing with social problems, labor problems, housing problems, and so on. Quite often, creativity and worthwhile initiatives are hampered by numerous outdated normative acts, instructions, and rules. And even though about 2,000 normative documents have already been repealed in accordance with the Law on the State Enterprise, the number of instructions and procedural guides is still too large. The Statute on the Railroad, which is taking into account the peculiarities of applying the Law on the State Enterprise in Rail Transportation, has not yet been adopted. Adoption of this document would broaden the opportunities for development of transportation subdivisions and would give new impetus to the initiative of railroads, branches, and line enterprises.

Recently, restructuring in rail transportation has been "stalling" more and more at points of contact with USSR Gosplan and ministries and departments. Let us take up the question of shipments. At present, shippers actually are not financially liable when annual requests for shipping are not fulfilled because the freight was not submitted, but railroad personnel, even if it was not their fault that this occurred, suffer quite appreciable financial losses to the material incentive fund. This complicates the process of organizing freight delivery, it hurts work collectives of railroad personnel in their pocketbook, and, in the final analysis, it has an adverse effect on the financial condition of the branch. Shippers who plan shipping on a might-happen basis and then do not furnish the freight have to be made more accountable.

There are also a number of other equally important problems. Why, for example, does USSR Gosplan take the position of an outside observer in organizing deliveries to transportation, without waiting for the end of the current 5-year planning period and before cost-accounting relations between suppliers and the MPS have been introduced everywhere? Is it a tolerable situation when in the 1st half of the current FYP the branch failed to receive about 3,000 freight cars and more than 250 passenger cars called for by the plan, 150 electric locomotives, and 220 sections of road diesels and 50 sections of switching diesel locomotives? Indeed, the planning itself is not always up to a high standard. For example, the plan for 1989 called for the volume of passenger traffic to increase 5.3 percent over the volume set forth in the 5-year plan, and yet Gosplan outlines for 1989 a reduction in passenger car deliveries by 205 units. In general, unless decisive steps are taken, the short delivery to rail transportation in the first 4 years of the 12th FYP will be 672 passenger cars.

Given these conditions, there is a need for radical reassessment of the structure of the branch's industrial

production, and a course has to be resolutely aimed at increasing the output of new products. This has become urgently necessary. Production of new freight cars should be organized first of all. After all, we cannot count on obtaining them from industry in the necessary volume in the years immediately ahead, and it is becoming utterly disadvantageous to spend huge resources on repairs.

### Radical Modernization of Rail Transportation

The 27th CPSU Congress advanced a program for an unprecedentedly large technical reconstruction of the economy on the basis of the most up-to-date advances of science and technology. The 19th All-Union Party Conference, emphasizing once again the need for social reorientation of the economy, pointed out its inseparable relation to comprehensive intensification of production, to resource conservation, and to acceleration of scientific-technical progress. These directive guidelines apply fully to us railroad people.

As is well-known, in the 12th FYP, and indeed even in subsequent years, only one-third of the growing volume of traffic is to be handled by building new lines, second track, and through electrification. The rest of the traffic is to be handled through more intensive utilization of the existing lines. That is why rail transport is today in particularly acute need of new technologies and equipment. Radical modernization and retooling and elimination of disproportions in development of the railroads and all economic entities in the branch are indispensable to eliminating the shortage of transportation capacity.

In keeping with the decision of the Politburo of the CPSU CC, the Ministry of Railways prepared the draft of the Program for Retooling and Modernizing the Rail Transport of the USSR Over the Period 1991-2000. It sees the priority task as increasing the traffic capacity and freight capacity of the railroad, replacement of obsolescent and physically worn-out equipment, and modernization of the production facilities of the railroads by applying up-to-date machines, machinery, and equipment.

By the year 2000, modernization and renewal of locomotives is to be completed, the structure of the locomotive fleet is to be improved, thanks to delivery of more powerful and up-to-date electric and diesel locomotives. The new locomotives must be equipped with telemechanical devices so that they can be ganged, including radio control of locomotives spread out in the train. New diesel locomotives with high section capacity will use up-to-date equipment: the economical four-stroke diesel, reliable AC and DC transmission, support-frame drive of traction electric motors, etc. A new diesel running on liquefied gas will make its appearance.

It is of great social importance to supply progressive rolling stock for suburban transportation. New electric motor trains will be made up of cars whose body is 21.5 meters long. The extra-wide doors will speed up the



loading and discharge of passengers, and larger-area car platforms will increase the train's capacity. Technical speed will increase thanks to the greater capacity of traction motors.

Over the period 1991-2000 industry is to organize series production of new freight cars that correspond to the structure of freight traffic. The main requirements they must meet are construction that does not require repairs, increased freight capacity, lower ratio of containers to freight, high strength, resistance to wear, and guaranteed full preservation of the freight.

The main direction in development of the passenger car fleet is the transition to manufacturing increased-capacity cars 27 meters long. They must provide increased comfort, safety, reliability, improved conditions for the work of train personnel, and reduction of the labor intensiveness of repairs. It will be important to create new models of passenger cars: double-decker cars with transformable compartments and interblast cars for fast traffic.

A great deal has to be done to improve the condition of the track. One of the priority projects is the replacement and reconstruction of civil engineering structures, many of which were built to old standards and do not withstand present-day loads and speeds. Stable and reliable designs of railroad track have to be developed for specialized main freight and passenger lines.

Further mechanization and automation of rail transport is the most important line of development. Accelerated development of automatic railroad equipment is needed above all to increase the carrying capacity and freight capacity of the railroads and to improve traffic safety. A unified information network is being created in the branch; it includes the automatic data processing centers of the roads, regional automated dispatcher centers for management of the transportation process, automated dispatcher centers for management of technological processes in rail junctions, at stations, and in repair enterprises, and a data transmission network with data concentrators.

By the year 2000, creation of the unified network automated system for management of passenger traffic, introduction of the control information system for power supply devices using microprocessor technology and computers are to be completed. In the years immediately ahead, new systems for automatic block signaling, to centralize dispatching and power supply, for operational communication using noncontact elements and microprocessors will begin series production and will be applied. Automation must penetrate all areas of the activity of rail transportation and all its economic entities.

In that context, there is a need for radical reassessment in the direction of tightening requirements which must be met by the branches supplying rolling stock, machines

and machinery, equipment and materials to rail transport. It is time to put a stop to the acceptance of outdated equipment which does not meet present-day needs in terms of speed, loads, or other parameters. Enterprises in the metallurgical industry, in locomotive and car building, the manufacture of communications equipment, instrumentmaking, the chemical industry, and others have to perform a number of very important tasks to furnish the most up-to-date technology to rail transport.

A new investment policy and a more optimum structure of capital investments have been worked out in the branch and are being implemented. The main emphasis has been placed on retooling the branch, on applying intensive technologies, on introducing heavy and fast traffic, and on the development and reconstruction of the present rail network. In the coming decade, capital investments are to be committed not only to eliminating bottlenecks in operations, but also to creating an economically sound reserve of facilities, of railroad carrying and processing capacity, to equipping the railroads with reliable and productive technology, and to the acquisition of improved rolling stock, machines, and machinery.

This will require about 156 billion rubles. Approximately 10 billion rubles of that amount is to be spent to develop subways, and the construction industry and industrial rail transport will each receive 1 billion rubles. At least 15 billion rubles have to be invested to develop the social sphere, about 70 billion rubles for reconstruction and retooling of the present network and for renewal of rolling stock and other transportation equipment, 26 billion rubles for new construction, and 27 billion rubles to expand existing enterprises. Capital investment strategy must be subordinated to the main requirement—achieving the maximum benefit from the resources invested. Process and equipment designs which have not been well-thought-out are not to be tolerated in the creation of new capacities.

When the branch makes the transition to full cost accounting and self-financing, 60 percent of capital investments to develop the plant and equipment of the present rail network and 90 percent to build projects in the social sphere are to be financed out of the fund for development of production, science, and technology and the fund for social development of enterprises. The state budget will finance only construction of new railroads and subways, maintenance of the facilities of the health service and public education, and also acquisition of locomotives, freight cars, and containers.

In order to eliminate serious shortcomings in the present organizational structure for management of capital construction in transportation, it would seem to be advisable to unify the project planning, construction, and reconstruction of railroads within the Ministry of Railways. This would make it possible not only to reduce the size of the administrative staff, but also, and most important, to substantially reduce the cost of transport

construction and to improve utilization of the production potential of construction organizations.

The responsibility of enterprises for ensuring the approach of the state in dealing with aspects of the branch's development is accordingly being increased substantially. No link in the single transport conveyor can be allowed to weaken. Bottlenecks have to be eliminated in the branch's plant and equipment in a planned way and in the shortest time. We have quite a few of them. They are largely the consequence of disproportions between the growth rates of transport operations on the one hand and the strengthening of the rail network and renewal of transportation and other equipment on the other.

Within the branch, 27 scientific-technical programs embracing the main problems in retooling have been drafted and are being carried out. The transition of the car fleet to roller bearings is accordingly being completed, rolling stock repair facilities are undergoing fundamental reconstruction, track repair is being industrialized, improved technologies using automatic control are being introduced, the use of manual labor is being cut back, and there are plans to use robots, manipulators, and other very up-to-date technology. Consistent implementation of the set of programs that has been outlined will make it possible to raise the production base of rail transportation to a qualitatively higher technical level.

Scientists and the engineering sector must work out and implement specific steps to speed up scientific-technical progress in order to guarantee transport's stable operation. Joint efforts have to take the branch to advanced positions in the world with respect to the principal qualitative and economic indicators.

The thorough restructuring of scientific research in the branch that is now taking place must bring about a shortening of development time and improved efficiency of development and must substantially speed up their application. Scientific and design organizations were converted to full cost accounting and self-financing as of 1 January of this year. Everywhere new organizational forms for scientific research and for preparation of mechanical and process engineering documentation and methods of applying them are being mastered.

The NPO "Soyuzzheldoravtomatizatsiya," which is called upon to meet the branch's requirements for highly efficient equipment to automate production processes and control systems, is revamping its activity. The Scientific Engineering Center for Intensive Technology in Local Operation and the Intersector Scientific-Production Complex for Creating and Applying Systems for Radio Control of Locomotives are operating within the VNIIZhT. These young shoots of the new need to be expanded and strengthened in every way, scientific engineering centers for the most important problems, temporary creative teams and startup-and-adjustment groups need to be created, the principles of the brigade

contract worked out, and branch VUZ and academy science enlisted more vigorously. All of this should guarantee an essential rise in the effectiveness of research, should liberate the initiative of scientists, and should shorten the time required to perform a project over the entire range from the initiation of research to broad application.

The issue of solving the scientific problems related to a further rise in labor productivity in the branch is urgent and particularly acute. Now, the principal emphasis must be placed on broad automation and mechanization of production processes, on developing and applying fundamentally new technologies and improved forms for the organization of work and for work incentives. But today, these problems have to be solved with revolutionary methods. Meanwhile, the contribution of the branch's scientists to these matters and to the process of introducing the new economic system, especially in subdivisions at the lower level, is manifestly inadequate. Is it permissible for scientists not to be concerned with optimization of state orders for transportation? What is the explanation for our poor interaction with scientific research organizations of related industrial branches and with the USSR Academy of Sciences? In this area, a thorough restructuring of our transportation science is required—both in its organizational and its psychological aspects.

#### **Intensification of the Operational Effort**

Plans call for doubling the size of the national income and the volume of output in the country's economy by the year 2000. Transportation is called upon to handle a sizable growth in the volume of traffic and to improve the quality of transportation. Even in the last year of the 12th FYP, railroad workers must carry 4.3 billion tons of freight and 4,565 million passengers. By the year 2000, these figures will increase still more, according to forecasts.

The tasks which have been set will mainly be performed by applying new technologies and the corresponding equipment. By 1990, we are to increase the volume of traffic to 150 million tons on double-track lines with intensive freight traffic, and by the year 2000 the figure will be 180 million tons, while on single-track lines the increase will be to 40-45 million tons per year. This rise in the freight-carrying capacity of the network in a number of cases involves construction of lines to relieve the traffic, additional main tracks and new lines in the country's developing regions. But the main thing is that the individual lines and entire routes make the conversion to a comprehensive and intensive technology of the transportation process.

One of the main tasks in improving the operational effort is to organize operational planning and management at large operational facilities. We have certain experience in this area. The branch's effective operation since the beginning of the FYP is in large part the result

of improved organization of traffic, based on dispatcher guidance of the entire technological process from station operation to traffic control over the entire network.

Operational control of traffic requires precise calculation and precise forecasting of the operational situation, and these can be done only on the basis of reliable information. Two directions are pursued in this effort: creation of automated work stations and organization of automated dispatcher centers for control of the transportation process.

Automated systems for controlling the sorting of trains have been introduced on the humps of five stations. There will be eight of them by the end of the year. Automation of gravity humps is picking up speed. By the end of the 5-year planning period, the classification of trains is to be automated in 25 yards. The know-how of the station Beskudnikovo on the Moscow Railroad is being widely disseminated in organizing local operation. The first phase of the automated dispatching center of the MPS is now operating effectively. Jointly with similar regional centers, it will very soon take over the entire operational control of traffic. This year, the center of the Central Asian Railroad will be added to the Donetsk dispatching center. In all, 45 such centers are to be put into operation.

At the same time, we have still not managed to develop effective economic levers for management of the operational effort. The measures which are being applied at present have not been having the impact they should toward improvement of qualitative indicators. This is the main reason for the lag in traffic this June and July. In the new context of the operation of transportation, the technology for organizing traffic based on strict observance of train movement schedules must be linked more closely to economic methods of management. That is why the decision was made to change the system for developing the schedule of train movement, beginning with the 1988-1989 period. It now calls for specialized through-scheduling of freight trains by characteristics, including train weight and length. This is an important step toward improving the operating efficiency of the entire branch.

Improving the technology of the transportation process calls for centralized development of the schedule of passenger and freight train movement using computers. The schedule will have a greater organizing role as the technological foundation of the transportation process. It will regulate the transportation process in all units, including processes that take place on the premises of freight shippers and consignees. This will facilitate extensive introduction of transportation of products involved in the production process for continuous production operations in the economy according to coordinated schedules, and specialized trains would promptly deliver urgent shipments, for which contract rate schedules would be used. It will be possible to increase the

amount of through traffic thanks to automated calculation of a unified plan for car flow that would cover all yards and all categories of freight trains.

The increased weight of the average freight train, which would occur mainly by organizing the movement of long trains and coupled trains, which is called for by the branch program, remains a most important direction for intensification of the operation of rail transportation. More powerful locomotives have to be built and equipped with devices for operation in multiunit systems, large-scale production of eight-axle gondolas and tank cars and also four-axle cars with increased load capacity has to be speeded up, yard tracks need to be lengthened along the most important routes in the network, and the average static load of freight cars has to be increased.

The development of heavy-load traffic, which affords the possibility of reducing the amount of traffic, creates the conditions for increasing schedule speed. It is, of course, no simple matter to increase speeds, and as a rule this requires substantial resources for track reconstruction, civil engineering works, power supply devices, automatic block systems, locomotive warning indicators, etc. But these expenditures are justified both from the economic and the social standpoints.

Plans call for a fundamental revision of the system used in organizing the operation of locomotives and locomotive crews and as a consequence increasing the average daily locomotive run to 500 km or more. Equipping car servicing and preparation stations with equipment for diagnosing and mechanizing repairs is expected to lengthen the guaranteed distances trains can travel without inspection: to 400-600 km loaded and to 1,000-1,200 km empty. New systems for on-board and operational radio communication, automatic block signaling, dispatcher centralization of switches and signals will be created and introduced, and efforts will be initiated in the field of satellite and fiber-optic communication.

One of the effective forms of intensification is the creation of main lines for express trains and heavy freight traffic. The Moscow-Leningrad line is already an example of this. Formation of the Center-East Main Line is beginning. Construction of a specialized high-speed trunk passenger line, the Center-South line, on which trains would reach speeds up to 300-350 km/hr, is on the agenda.

The application of intensive technologies must be accompanied by a corresponding improvement in equipment. By the year 2000, the application of full mechanization and automation of classification processes is to raise the steady daily level of car processing to 7,000 cars in the main one-way classification yards and to 12,000 cars in two-way yards. Thanks to reconstruction and retooling of repair enterprises, the number of car repairs in all depots is to increase to 8,000-10,000 per year, and for refrigerator cars to 2,500 per year. Heavy types of

depot diesel and electric locomotive repairs will be concentrated in specialized repair depots (not assigned a fleet of their own) with an annual program of 520 diesel sections and at least 250 electric locomotive sections. As for track repairs, output in the "window" is to be increased to 600 meters/hr. Every track machine station will do major repairs of at least 100 adjusted kilometers of track per year.

Passenger traffic is an area of particular concern. This year, just as in past years, passenger traffic was heaviest in July-August. Right at the present time, for example, as many as 250,000 long-distance passengers and about 2 million passengers on suburban routes leave Moscow's stations daily. Passenger traffic has grown substantially in many large industrial centers and in the country's health resort areas. The railroads have accordingly mobilized the available potential. They have assigned additional trains and trailer cars, and additional ticket windows, information booths, and checkrooms have been opened.

One of the principal untapped resources for handling passenger traffic is increasing train length to 24-32 cars. This summer, 198 such trains were in service on the network, which is nearly 10 percent more than a year ago. This measure alone managed to add nearly 50,000 more seats per day. An additional increase in carrying capacity was obtained by increasing overall train speed (*skorost prosledoveniya*) and through better use of car capacity. But in spite of all the steps which have been taken, at present we are not managing to avoid "peak" overloads. The departure of all passengers has not always been assured.

The main thing which has been holding back a further increase in the volume of passenger traffic is the shortage of passenger cars and electric locomotive sections. Today, rail transportation needs more than 8,000 cars to cover the planned volume of traffic. The shortage of cars divided into compartments is especially acute. Whereas the annual requirement is 1,200 cars for electric trains, industry is delivering only 500-600. The upshot of this situation is that more than 20 percent of the cars in the passenger fleet are obsolescent and physically worn-out, they should be scrapped, but we have been forced to use them. This has been adversely affecting both operations and also the quality of service.

"Ekspress 2" automatic ticket sales systems are now in operation in regional centers on 10 railroads; they distribute more than 500,000 tickets per day. By the end of the 5-year planning period, systems like this will be installed in another 15 centers. The "Ekspress 2" ASU makes it possible not only to automate the process of making out tickets, but also to automate other processes in the technology of handling passengers. Accordingly, the "Ekasis" flexible information system has been developed using the "Ekspress 2" ASU as a base. By 1990, the automated reference information system will be in service at 25 points. This will make it possible to automate information service in many regions of the country.

A comprehensive target program calling for step-by-step transition of the most important directions of the network to train speeds up to 140-160 km/hr has been drafted in order to further increase the speeds of passenger trains. Plans call first for speeding up international trains which are part of the "Interekspress" system and also fast trains running between Moscow and the capitals of a number of union republics, major industrial centers, and to the Caucasus and Crimea. A radical solution to the problem of increasing speeds in passenger traffic is bound up with construction of specialized high-speed main passenger lines.

Today, the development of passenger service is in large part directly bound up with increasing the number of trains with names on which the level of passenger service is higher. Over the last 2.5 years, the number of such trains has increased from 157 to 200, and by the end of the 5-year planning period it will be increased to 408. "Latvia," "Southern Urals," "Ukraine," "Red Arrow," "Russia," "Vyatka," "Donetsk," "Estonia," "Lithuania," and many other trains with names have won a deserved popularity.

Recently, the Ministry of Railways staffed a new department—the Main Administration for Railroad Dining Cars. To be frank, railroad personnel have inherited a difficult legacy. Departmental separation in organizing food service to passengers has for many years been one of the principal reasons for the present pitiable state of the plant and equipment of these enterprises. Today, they do not have a sufficient number of refrigerators and other necessary equipment. More than half of the dining cars are obsolete and worn-out, one out of every five cannot be operated where the traffic is heavy, and the delivery of new dining cars has been cut back in this planning period.

Nevertheless, a serious effort is being made on the railroads to solve this problem. The dining cars are being redesigned as self-service cafeterias, a large number of additional vending points have been opened, vending has been organized in open areas, etc. But it is by no means up to transportation personnel alone to provide vending services to passengers. USSR Gosagroprom has a large role here—its organizations have an obligation to deliver us finished and intermediate products. But unfortunately they do not always fill the orders of railroad personnel by any means.

The cooperatives have not done a bad job in organizing food service. There are broad opportunities here for truly businesslike enterprise. Today, there are 26 cooperatives for preparing and selling various foods operating in the stations. But that is, of course, too few. It is worthwhile to think about contracting out the operation of some of the dining cars. Some experience has already been gained, and the results were reasonably good.

Subways are now operating in 12 of our country's cities. Preparations are being made to put the Sverdlovsk and Dnepropetrovsk subways into service. Subways are to go



under construction during this 5-year planning period in Alma-Ata, Omsk, Chelyabinsk, Krasnoyarsk, and Donetsk, and construction designs have been developed in Ufa, Rostov-na-Donu, and Kazan. The assignments for development of the Moscow subway have been considerably increased. During the 12th FYP, 45 km of new line is to be built and 109 km of existing line is to undergo reconstruction here.

The subways have deservedly won the recognition of millions of passengers and have been recognized as the best form of urban transportation. But quite a few problems and objective difficulties have accumulated in their operation. Recently, the normal pace of subway operation has begun to be disrupted because of damage to rolling stock, automatic equipment, and escalators. The main reason is the insufficient level of production discipline and processing discipline and technological discipline in certain collectives, and in a number of cases the attitude toward performance of official duty has not been conscientious. As these intolerable things are eradicated, closer attention must at the same time be paid to modernization and renewal of rolling stock and track, to equipping this form of transportation with the most up-to-date automatic and telemechanical equipment and to the mechanization of production processes.

The problems of guaranteeing traffic safety in railroad transportation deserve particular attention. The level of safety reflects in an overall way the branch's condition and serves as a qualitative evaluation of its performance. But at present, an extremely unfavorable situation has developed with traffic safety on a number of railroads and divisions. The crashes which have occurred recently, whose consequences have been unprecedentedly serious, have revealed serious oversights in guaranteeing the safe operation of the transportation conveyor. Crashes and breakdowns and defects and failures in operation of equipment have been detracting from the traffic capacity of the railroads, the pace of traffic has been dropping off, and there have been large financial losses. But the most important thing is the threat to human life and health.

Analysis shows that the main reasons why accident situations occur are irresponsibility, the low level of production discipline, a lack of conscientiousness on the part of slack transportation personnel toward performance of official duty, and breaches of procedure they commit in performing operations. Flagrant departures from the established rules are committed in performance of operations related to preparing trains for runs, their acceptance and dispatching in yards, to clearing for entering sections, and also to the operation and repair of track, cars, locomotives, and other equipment. Many of the shortcomings in guaranteeing traffic safety are a consequence of the formalistic approach to this matter on a number of roads and line subdivisions and of the intolerably slow restructuring of the entire preventive and educative effort.

Recently, the ministry's staff of inspectors has been bolstered and it will continue to be strengthened with the most highly skilled personnel. The Main Administration for Traffic Safety has been formed; its duty is to analyze the causes of accidents, to work out the main directions and measures to correct this evil, to coordinate the activity of all subdivisions of railway transportation in this area, and to follow up on execution of the decisions made. The functions of inspectors are close to the status of state acceptance—they have been given the right to prohibit the operation of equipment whose condition is a threat to traffic safety. Economic measures are being carried out to increase the accountability of violators of traffic safety for the damage they cause. A program for the creation and application of safety devices and equipment to diagnose railroad rolling stock, track, and power supply, signaling and communications equipment has been drafted, and is now being carried out.

It should be mentioned that guaranteeing traffic safety is a process that is subject to management. The necessary results in this area are achieved above all through a businesslike attitude, good organization and exactingness on the part of supervisory personnel and inspectors of all transportation subdivisions. All railroad personnel need to take an active part in combating accidents, emphasizing initiative, openness, and greater responsibility for carrying out orders. The accuracy and reliability of all links in the transportation conveyor constitute the basis of accident-free operation.

#### Social Welfare Problems and Personnel Policy

In the final analysis, successful performance is determined by people, by their talent and skill, and by creation of the most favorable conditions for the creative work and full-fledged rest and recreation of railroad personnel. There has been some improvement in recent years in the handling of problems of social welfare in railroad transportation, but they remain acute to this day. Most important among them is the housing problem.

In the current FYP, the Ministry of Railways has outlined a program that is very large in scale: the decision has been made to build more than 200,000 housing units. This policy is the appropriate one. At the present time, about 500,000 persons in transportation are in need of better housing. In the housing stock of the railroads, there are about 1.2 million m<sup>2</sup> of dilapidated housing. Its restoration is lagging substantially behind present needs, and in some places housing settlements dating even from the 19th century have been preserved.

Plans for housing construction on all railroads have been broken down to each enterprise, sources of financing have been established, and contractors have been determined. But the limit-allowances allocated by USSR Gosplan have proved to be inadequate. That is why 600 million rubles had to be diverted to these purposes from construction of production projects. Similar additional



redistributions are also being made when annual plans are drawn up. There is also a growth in privately financed housing construction and the volume of housing construction by housing cooperatives.

In the first 2.5 years of the FYP, 4.14 million m<sup>2</sup> of housing have been built and opened to tenancy, while the plan called for 4.76 million m<sup>2</sup>. Fairly good results in using the resources allocated to housing have been achieved by the Far Eastern, South Urals, Donetsk, Belorussian, Alma-Ata, and East Siberian Railroads. However, in spite of the obvious changes for the better, there still are quite a few shortcomings in this area. Cases of failure to fulfill the housing construction plan are still occurring on the West Siberian, Volga, and Sverdlovsk Railroads. Housing construction is developing extremely slowly on the Azerbaijan, Odessa, and Kemerovo Railroads.

Railroad workers have a great need for public schools and children's preschool institutions. In the 12th FYP, children's preschool institutions with a capacity of 53,000 and public schools with a capacity of 40,700 are to be put into service. But because children are beginning school at the age of 6, nearly half as many more schools will be needed as will be opened during the entire 5-year period. That is why we need to make a comprehensive assessment of our capabilities and seek out additional potential.

Health care facilities represent an equally acute social problem in railroad transportation. At the present time, we fall short of the assigned standard by 13,000 hospital beds and polyclinics to handle 91,000 visits per shift. During the 12th FYP, 44 hospitals are to be opened with 8,000 beds, and there will also be 76 outpatient clinics and polyclinics opened with a capacity of 25,000 visits per shift. But this is clearly not enough, and the limit-allowances set by USSR Gosplan for construction of health care facilities and also those for public education are extremely limited. A major reassessment of the attitude toward the health of railroad personnel is indispensable. Quite a bit of constructive experience has been gained in transportation concerning this problem: especially on the Kharkov subway, in the Ussuriysk Refrigerator Car Depot, and at other enterprises.

The branch faces the task of providing a separate apartment or private house to every railroad worker family by the year 2000. If that task is to be performed, 36 million m<sup>2</sup> of housing financed from all sources of financing have to be opened to occupancy over the period 1991-2000. If personnel in the branch are to get an adequate capacity of children's preschool institutions and health care facilities, children's preschool institutions with a capacity of 80,700, hospitals with 37,200 beds, and polyclinics to handle 155,600 visits will have to be built in this period. There are also plans to build public schools and technical schools, vocational and technical schools, tekhnikums and VUZ's, athletic complexes, rest

and recreation centers, sanatoriums and preventoriums, Pioneer camps, clubs, culture centers, and other facilities.

Today, the principal source of financing for construction of projects in the sphere of social welfare is the cost-accounting income of enterprises. In the context of operation on the basis of full cost accounting and self-financing, possibilities for increasing the amount of construction for social welfare are directly bound up with improved operation of transportation. The principle "Work Better and Live Better" will be observed unswervingly.

Railroad transportation has an elaborate worker supply network. In it, there are more than 18,000 retail trade enterprises and more than 1,000 consumer service enterprises—dressmaking and tailoring establishments, shoe repair shops, hairdressers, photo studios, etc. Line stations which have no worker supply division vending points are served by store cars and trains furnishing trade and consumer services. In 1988, worker supply department enterprises are to sell 6.3 billion rubles worth of goods to railroad personnel.

Subsidiary farms, which provide a substantial addition to the tables of railroad workers are becoming more and more important. Many enterprises have their own greenhouses where they raise early vegetables. A sizable portion of this produce goes to worker dining rooms and children's institutions. Still, the food supply to transportation workers, especially in enterprises on the line, cannot be called satisfactory. The 14,000 tons of meat and 18,000 tons of milk which our sovkhozes and subsidiary farms produced last year and sold to railroad personnel are clearly not enough: this amounts to only 3.7 kg of meat and 4.6 kg of milk per worker. By the end of the FYP, we need to produce in our branch 10-15 kg of meat, 15-20 kg of milk, and 40 kg of potatoes and vegetables per worker.

Some railroads and plants of the MPS do not want to seriously concern themselves with subsidiary farms and consider this a secondary matter or something beyond them. Yet there are quite a few examples in the network where the needs of railroad personnel for meat have been entirely or almost entirely met thanks to their own production. For instance, the Kizyl-Arvat Car Repair Plant in 1987 produced 82 kg of meat and 155 kg of milk per worker on its own subsidiary farm, the Yesil Locomotive Depot on the Tselin Railroad produced 64 kg of meat, the Rostov department for maintenance of forest protective belts of the North Caucasian Railroad produced 25 kg of meat and 111 kg of milk, and the subsidiary farm of the station Seysa on the Gorkiy Railroad produced 100 kg of meat.

At the same time, the food problem in railroad transportation need not be solved exclusively on subsidiary farms. Trade organizations—worker supply departments, restaurant associations, and others—should

expand the volume of purchases of foodstuffs from enterprises of Gosagroprom and from the private sector. Above all, purchases of potatoes, vegetables, and fruit.

A planned effort is being made in railroad transportation enterprises and organizations to improve the working conditions of workers. In the current FYP, 750 million rubles have been committed to workplace health and safety measures. Over the past 2.5 years, working conditions have been improved for almost 300,000 railroad workers, and sanatoriums with a capacity of more than 1,200 and other facilities have been built. Much attention is being paid to improving residential sanitary conditions.

Elimination of manual labor is now taking on paramount importance; this is not only an economic problem, but also an important problem of social welfare. It has to be frankly stated that the pace of the effort in this area has not been satisfactory. After all, in the branch at present more than 50 percent of the work force is entirely or partially employed at manual labor, a fourth of them on track crews. At some enterprises, the share of manual labor goes as high as 82-75 percent. This is not a situation that can be tolerated. Accelerated application of new equipment and mechanization and automation of production processes—that is the main strategy for making work more civilized. Under the new economic conditions, when an up-to-date approach is taken to solving social problems, these tasks are the responsibility of every collective. Councils of work collectives are expected to play a vigorous role in this area.

The party's course toward democratization of all aspects of our society's life, the reform of the political system, and raising production efficiency require a new approach to working with personnel as well. The most vigorous and competent managers, people who enjoy prestige and are capable of leading work collectives, have to be promoted. The broadest confidence needs to be shown in such people, and they must be assigned to the most difficult and crucial areas.

Self-management is being introduced step by step in the activity of enterprises, the screening of personnel is frank and open, and managers are subject to election. Certain experience in development of democratic principles has been gained at many of our enterprises. In the years of restructuring, there has been a substantial strengthening of the supervisory stratum of the branch, and about 15 percent of managers have been replaced. More than 3,000 supervisory specialists have been elected in general assemblies. They include division chiefs, VUZ rectors, stationmasters, depot chiefs, superintendents of permanent way sections, etc. Placing confidence in their leaders and giving them broad powers, collectives are placing on them great responsibility for the production affairs and other business of the enterprise. We have a right to assume that such people will have a radical impact toward improving the operation of transportation and will solve the technical and social problems competently.

At the same time, the specific nature of the branch's operation has to be fully taken into account in this important matter. The reference is above all to ensuring traffic safety, integrating the entire technological process of transportation for the entire network, higher requirements as to observance of work discipline and technological discipline, and promptness in fulfilling state assignments for traffic handled. That is why the election of managers in railroad transportation who are involved in organizing the movement of trains and guaranteeing traffic safety should be fully and unswervingly combined with the principles of one-man management and strict personal responsibility, and maximum attention should be paid to the promotion and affirmation of personnel in this category.

There also has to be a major improvement in the quality of the training of specialists in railroad VUZ's and tekhnikums. Many graduates of higher and secondary specialized educational institutions do not meet present requirements with respect to the level of their knowledge and their practical skills. This is related both to oversights and lapses in the educational and training process and the inadequate qualifications of teaching staffs and also to the low general educational preparation of young people enrolling in higher and secondary specialized educational institutions. Good choices are not being made of railroad workers sent to study in technical schools.

As in the past, the poor plant and equipment is a serious obstacle to radical improvement of the performance of educational institutions. The effort to supply them up-to-date devices and equipment and computers is going slowly. In railroad VUZ's and tekhnikums, the average area in classroom and laboratory buildings is below the standard, and the value of equipment per student is between one-third and half as much as in the country's leading VUZ's. The present network of educational institutions and subdivisions in the system for improvement of qualifications and retraining supervisory personnel and specialists is neither large enough nor is its teaching of high enough quality to meet the higher requirements of railroad personnel in refreshing their professional knowledge.

Transition of the branch to the new economic system requires a radical improvement of economics education at all levels—from the worker to the manager at the highest level. A specific and efficient system must be set up for personnel training and retraining. After all, in essence all supervisors have to have a thorough mastery of the economic methods of operation and must take a test as to their political and economic maturity.

There needs to be a thorough review of the curricula and syllabi of educational institutions and also of departments for improvement of qualifications. Conditions have to be brought about so that every railroad worker can fully master the knowledge of economic and administrative methods of management. We need specialists with excellent business and economic qualifications,

people capable of guaranteeing effective performance of the task of taking the branch to advanced frontiers under the new economic conditions.

A new approach is also needed to organizing preventive work, to preventing violations of traffic safety, and also to the training and instruction of transportation personnel, and to the training of specialists and workers in the most common occupations. More attention should be paid in this connection to selecting the most typical cases taken from real life and also nonroutine situations, to organizing "business games" in which specific production conditions are simulated. Here, the students must show their ability to organize the work effort competently and efficiently, to get their bearings in extreme situations, and to make the right decisions. This also applies to up-to-date and competent training of personnel to work in the wintertime.

Railroad transportation has abundant work traditions and war traditions, many of which were established back in the first years of Soviet power. The first Communist Saturday, which V.I. Lenin referred to as a Great Initiative, is to the credit of railroad workers. The Stakhanov-Krivosos movement was an important landmark in development of transportation. The names of P.F. Krivosos, I.P. Blinov, N.A. Lunin, A.P. Papavin, N.T. Zakorko, and many other production innovators have been inscribed for all time in the history of Soviet rail transportation.

In the harsh years of the trials of war, the history of railroad transportation was enriched by numerous vivid examples of exploits of war and effort. In all stages of the evolution and development of the Soviet railroads, the many generations of railroad workers have built up a rich and extremely valuable experience. Equipment is undergoing improvement, the organization of operation is becoming more complicated, but exactingness, responsibility for carrying out orders, conscientiousness, discipline, and a sense of pride in transportation have always been and must remain the principal distinguishing characteristic of workers on the steel highways.

These are the principal directions in the effort of railroad workers and the problems large and small that face the branch. They are all interconnected. Experience has shown that success cannot be counted on if one relies solely on new equipment and technology, apart from an economic system that has been thoroughly thought out and is effective and from a strong social welfare policy. Today, the workingman, his desires and needs, his social sense of well-being, and his actual social position is being advanced to the foreground.

The atmosphere of restructuring is opening up exceedingly broad and unprecedented opportunities for creativity, for revealing all the individual's constructive abilities. Railroad workers must take the most active part in the historic changes taking place in the country and make a worthy contribution to the country's socioeconomic development and to renewal of all aspects of life.

Strenuous creative and interesting work lies ahead. There is no doubt that the workers on the steel highways, faithful to their glorious traditions, will apply all their strength, skill, and energy to implement everything that has been conceived and to make our life worthy of the great ideals of socialism.

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### **Safety Procedures for Transporting Industrial Explosives Examined**

18290043 Moscow SOTSIALISTICHESKAYA  
INDUSTRIYA in Russian 23 Nov 88 p 2

[Interview with Nikolay Grigoryevich Puzyrev, deputy minister of the branch that supplies most of the industrial explosive substances for the country's economy, by special correspondent I. Zhagel: "Explosives on the Rails"]

[Text] It is enticing to turn out to be a seer. However, in publishing, after the explosion at Arzamas, a selection of specialists' letters ("A Train With a Dangerous Load," SI [SOTSIALISTICHESKAYA INDUSTRIYA] of 27 July 1988), which spoke about the fact that in our country an inordinately large amount of industrial explosives (VV's) is being hauled and that this haulage is paving the way for a repetition of the tragedy, we, of course, least of all, wanted confirmation of the alarming warning.

But the tragedy at Sverdlovsk unambiguously indicated that everything that is connected with the production, transporting and use of industrial explosives should be put under social monitoring. Such a process, incidentally, is already occurring spontaneously in certain regions, and often it develops into extremism. There are even cases where local authorities have adopted decisions that prohibit the passage of explosives through their territory.

It would seem that in this situation an open, businesslike conversation can be only of benefit. We present the readers the conversation of our special correspondent, I. Zhagel, with the deputy minister of the branch that ships most of the industrial explosive substances for the country's economy, N. Puzyrev:

[Zhagel] Nikolay Grigoryevich, if, after Arzamas, it is still possible to speak about some kind of randomness, and if after the explosion at Sverdlovsk that same opinion is adhered to, in my view, that is frivolous, to say the least....

[Puzyrev] It is difficult not to agree with that. The more so since in the last 16 years there have been other similar incidents. While prior to 1972, including even the war years, not once did explosive substances explode on the rails in our country. However, it would be mistaken to

connect this with a degradation of the physico-chemical properties of the explosives themselves. The pattern of the tragedies you referred to was occasioned by the general lowering of discipline and responsibility both on the railroad and at the enterprises that produce explosive materials.

[Zhagel] Incidentally in talking with other workers of your branch, I have met with the same confidence in the high degree of safety of industrial explosives if they are handled correctly. Can one be so categorical after two huge explosions have occurred within one year?

[Puzyrev] Let us be guided not by emotion but by strictly scientific data. Otherwise we will artificially unleash a fear of explosives, which is scarcely desirable. Thus already people are blocking railroad wheels with concrete blocks in order to prevent the passage of trains with dangerously explosive freight. Yet today neither the coal-mining, the metallurgical, the oil, nor many other branches of the economy can be developed without industrial explosives. It is not accidental that their production is increasing each year—in our country and throughout the world.

I think that the readers of your newspaper will be interested to learn that before undertaking the production of any explosive materials a complicated set of tests is passed. They are dropped from high altitudes, they are burned in fires and powerful charges are exploded alongside them, and so on and so forth. That is why when freight cars with explosives get into an accident, leave the rails, and are destroyed, more often than not there is no explosion.

In order for industrial explosives to detonate, a very strong external action is necessary. Let's say, continuous heating at high temperatures, as happened at Sverdlovsk, where a strong fire broke out during a collision of cars.

Altogether during the last two decades, there were six cases of the burning of cars with explosives while the cars were on the rails or at factory platforms. In two of them, the combustion developed into an explosion. In order to avoid conjecture, I report that, in addition to Sverdlovsk, such a situation arose in 1972 at Chita. There a car with the simplest of explosives caught fire from a burning axle box. It could not be extinguished, and in about an hour and a half an explosion occurred that involved human victims.

However, I repeat, these incidents were caused by a number of circumstances out of the ordinary. Under normal conditions for transporting, industrial explosive substances are not a threat to people, such conclusions being drawn not just on the basis of our own criteria, with which we are comfortable, for our principles for evaluating the safety of explosives do not deviate from the recommendations of UN experts. But this, of course, is no cause for complacency: we analyze thoroughly all extraordinary situations and we take measures to prevent them later.

[Zhagel] And what kind of conclusions were drawn after Arzamas, in particular, did you try to anticipate and prevent that situation, which on the whole was uncomplicated, that served as the cause of the explosion at Sverdlovsk?

[Puzyrev] Investigation of the causes of the tragedy at the Arzamas-1 Railroad Yard has not been completed yet. But still, after this occasion, we issued to the railroaders a number of supplementary recommendations on how to increase safety of hauling explosives. Including this one: protect explosive-carrying cars, from the head of the train to its rear, with two or three cars with neutral freight.

It is true that this measure is not new and the railroads used it in the era of steam, to prevent cars with dangerous freight from catching fire from sparks flying from the steam locomotive's smokestack. However, after the conversion to diesel and electric locomotives, protection from the locomotive ceased. But in the situation which prevailed at Sverdlovsk, it would have prevented the tragedy, for during the train collision the cars themselves would have taken the impact. These safety precautions possibly would have precluded also the explosion at Arzamas. I will note that today the railroaders are now providing protection from the head of the train.

[Zhagel] To what extent do our rules for hauling industrial explosives correspond to counterpart rules in other countries?

[Puzyrev] Here it is best of all to make a comparison not with some country but with, again, those recommended by UN experts for hauling dangerous freight. The state standard for transporting explosives for the marine and river fleets and for aviation and motor-vehicle transport was developed to take them into account. But here the corresponding rules for hauling by rail do not fully incorporate the above-named recommendations.

For example, MPS [Ministry of Railways] workers even previously had not concurred and until now reject our recommendation to participate in determining the readiness for haulage of cars with explosives. In so doing, they do not miss any occasions to complain, both in the mass information media and in official circles, of the fact that it is as though they were getting a "pig in a poke." It would seem that from this standpoint it is not difficult to discern a reluctance to share the load of responsibility with us.

[Zhagel] Well, what measures for increasing freight-haulage safety are being taken in your agency?

[Puzyrev] We have now decided to use specially equipped cars for transporting high-energy explosive substances. They will be sent to us in the required amount by the end of this year.



I will note that such special cars for industrial explosives are not being used anywhere in the world. Actually, they were designed for definite possible destruction during the transporting of dangerous freight and were manufactured to take this into account, which naturally increases their sturdiness. But we are forced to resort to these expenditures.

While speaking about other explosives, they still will be hauled in ordinary cars. Just the formal acceptance of this transport equipment has been tightened up, both before and after loading, in order to preclude the possibility that malfunctioning cars, or those with freight improperly secured, as well as those that contain residues of some other kind of materials incompatible with explosives, will go out onto the line.

And during the next five-year plan, a pool of special freight cars, which are intended for hauling all explosive freight, will be created.

We are working right now also on increasing fire protection of the packing of our product. And, while previously a major portion of industrial explosives were packaged in sacks, these will, in time, be replaced by special rigid containers. On the other hand, research whose purpose it is to increase the resistance of explosives to external effects, is being performed.

[Zhagel] Nikolay Grigoryevich, we are still conversing only about what to do to haul explosives with greater safety. But indeed it is possible to do without hauling explosives at all by rail, or, more precisely, to haul fewer explosives than is the case now. You certainly have read in our newspaper the reports of some specialists about the need to redeploy the production of explosives as quickly as possible to the sites of their use. They cite the following data: today in some countries, 80- 90 percent of the industrial explosives are being manufactured close to the open pits, while ours is an order of magnitude less. Naturally, the hauling of explosives also is much greater.

[Puzyrev] Well then, posing the question is completely correct, and we are working right now on solving this problem. This is just what I would like to say in connection with the publication you have cited. One may draw the conclusion from it that the main share of guilt for delay lies in our agency, which, having had for a long time a monopoly on explosives production, has not itself developed new trends and, they say, has not got others to engage in doing so.

Of course, the monopoly has not in many cases been of benefit to us. And right now, despite a number of interesting formulations and technological developments, we are producing many obsolete explosives which do not have high engineering-economics indicators and do not always meet the rising demands of the ecology.

Well, as for the production of explosives at the place of their use, we have said very, very little about a desire for this. The majority of our partners have avoided the excessive bother.

Right now the situation is beginning to change. Economic accountability is forcing the collectives of other industries that collaborate with us to think also about the production of explosives, to show initiative, to make a study....

[Zhagel] And you? What direction will you follow?

[Puzyrev] The main direction of our work is the mastery of industrial explosives, manufactured out of nonexplosive components, directly close to the place of use. And that means in time that if something is hauled by rail it will be only safe components.

In accordance with the decision of higher authority, by 1990 about 500,000 tons of industrial explosive substances of various kinds should be produced at the places of consumption. And, by the year 2000, half of the industrial explosives will be manufactured close to the open pits.

[Zhagel] And still this is less than in other countries even today....

[Puzyrev] The lag is serious, but you will not eliminate it at one stroke. It is not simple to carry out the plans contemplated. The introduction of new, progressive explosives depends on many of our cooperating entities, the builders, and machinebuilders, and not all of them are responsible to an adequate degree toward their assigned tasks. Let us say that USSR Minudobreniy [Ministry of Mineral Fertilizer Production] can in no way provide us with porous saltpeter, although this is included in government decrees.

Construction in the open-pit areas of the explosive-manufacturing sites is going on very slowly. This task was set for the management of USSR Minugleprom [Ministry of Coal Industry], USSR Minudobreniy, USSR Minchermet [Ministry of Ferrous Metallurgy] and USSR Minstroyaterialov [Ministry of Construction Industry Materials]. But very likely only the latter two agencies have seriously undertaken its solution.

And, of course, there is the situation about charging machines. Without them it is simply impossible to use the new, highly effective, water-resistant explosive substances, which are especially necessary for industry. USSR Mintyazhenergomash [Ministry of Heavy, Power and Transport Machine Building] should make the first 20 such machines this year and 40 more next year. However, at present our partners are promising to give the first charging machine only by the end of this year, and later prospects are not at all clear.



As you see, reduction in the amounts of haulage of dangerous freight over the country's railroads depends not just on us. But we are doing everything possible to cope with the tasks and, the main thing, to eliminate the lack of trust that now has been formed toward everything connected with the production and transporting of industrial explosives and that, obviously, our agency has caused you.

### **Locomotive Crews' Responsibility for Accidents Examined**

18290085 Moscow LITERATURNAYA GAZETA  
in Russian 14 Dec 88 p 13

[Article by Yu. Grechanik: "By Train, Without Danger"; first sentence is editorial staff introduction]

[Text] Last year nearly three times more passengers died on the railroads than in any previous period.

The country's steel mainlines carry 11 million passengers and just as many tons of freight every day. Or more precisely, the trains that travel the steel mainlines. Or, if we are to be completely accurate, the trains which are driven by engineers. So it will not be a great exaggeration to include the occupation of engineer among the most important ones in rail transport. It is precisely they who, with their locomotive brigades, are responsible for the lives of passengers, the safety of freight, and the rolling stock itself.

It is an occupation of courageous persons, full of a sense of duty and capable of life-risking acts. Precisely such an act was committed last year by engineer Yuriy Rozhin. At the Krasnoyarsk Railroad's Kozulka station, he saved hundreds of passengers on the train entrusted to him at the cost of his own life.

There is no question that the health of workers in this occupation should meet a special standard. And the main factor here is the nervous system's ability to withstand specific stresses for long periods: the flickering of the passing ties, the monotonous noise, vibration, and other factors. In addition, the engineer must have excellent reflexes, resourcefulness and composure.

As an example, take the accident on the Transbaykal Railroad. Engineer V. Zhukovskiy's freight train left the Kolokolnaya station and began picking up speed rapidly. Suddenly the alarming voice of the dispatcher rang out over the loudspeaker: "A consist is heading for you out of control!"

Not a second could be lost, and the decision that was made with lightning speed turned out to be the one that saved them: the engineer brought the train to an emergency stop and put it into reverse. Meanwhile, his assistant placed braking "chocks" on the oncoming track with which the runaway train nearly collided right here. And in an instant more he overtook V. Zhukovskiy's consist.

Only both trains were not coming toward each other; they were speeding along in the same direction. And the difference between their speeds was not great. And although the collision was severe, it was not catastrophic. So they managed to stop a train out of control with 29 tank cars of crude oil and avoid a major wreck. The lives of four conductors, who were traveling in refrigerator cars of great value, the fuel, and the railroad equipment were saved. This is what the occupational psychophysical fitness of the engineer is worth.

Unfortunately, it has to be stated that today about 8 percent of the personnel in locomotive brigades are occupationally unfit to carry out their most complicated duties just in accordance with the psychophysical data. And all this is a consequence of the period of stagnation when they reduced the occupation of engineer to one of the common ones. Its prestige declined and it became less attractive. The number of those who wish to become proficient in it has diminished so much that they have had to accept persons for training without strict medical selection.

"But what are we to do? After all, someone must drive the trains," they lament in the MPS [Ministry of Railways] Locomotives Main Administration. They complain, counting on sympathy and understanding. But how can we sympathize with those who are inclined to entrust the lives of passengers and physical assets to employees that are not sufficiently reliable?

However, the lenient selection for the occupation is not the only defect in the system which provides access to the "wheel" of a locomotive. The unit in it that performs the medical check before runs is no less weak. The examination of engineers is often conducted haphazardly; at times, the examination is conducted deliberately unscientifically and at times it is lacking entirely.

Let us return to the accident with the runaway train. Where did it come from? This is where: its engineer, V. Zhulinets, had a heart attack during the run. His assistant stopped the train, helped his unconscious comrade down to the ground and began massaging his heart. At the same time, he did not hear when the brakes "came loose" and he did not notice in the dark that the consist had moved from its position and departed.

We ask: how could an engineer be sent on a run before an infarction? Simply, it turns out: V. Zhulinets and his assistant M. Lukyanenko simply did not have a medical examination before the run. The stamp for fulfillment of this obligatory procedure was affixed by the locomotive depot official on duty, L. Falitsyn, who had let medical attendant T. Mezentseva go to have a snack.

Who is to blame for the consequences in such cases? The depot officials on duty who let medical personnel sleep on night shift and run to the store or the dining room during the day. The medical attendants who leave the stamp for the examination before a run to their incompetent

"benefactors," that is, the switchmen, as always. And those in charge, who wink at their subordinates' dangerous lack of concern, usually come through unscathed.

In order to ensure the reliability of locomotive brigades' pre-run checks, we must demand responsibility with the utmost strictness. Every day, not only when official negligence has led to unjustifiable consequences. And it is high time that the inadequate equipment at medical examination centers is replaced with up-to-date equipment to record the condition of those being examined rapidly and accurately.

Medical developments to rehabilitate locomotive brigades' fitness for work are being introduced slowly. Although it is common knowledge how complicated it is to relieve nervous tension after a run. To assist in this, the All-Union Scientific Research Institute of Railroad Hygiene (VNIIZhG) has suggested that psychological relief complexes be established at depots. Such a complex was established 2 years ago at the Lvov-West depot. Locomotive brigades gladly visit it both before and after their runs. Different physiotherapy procedures, electro-sound [elektroson], a sauna, a pool... They remove fatigue and nervous tension here wonderfully.

Alas, the number of psychological relief complexes in the entire network of steel mainlines can be counted with fingers. And why are the complexes there! The rest conditions for engineers are no good anywhere. Let us say that a crew has arrived from a turnaround point and will have to make a trip back in 3 hours. The brigade has been authorized rest, but there are no places available in the locomotive brigades house. So here the engineer and his assistant wander about waiting for bunks to be available instead of restoring their capacity for work. And no one is concerned that a threat to traffic safety is thereby created.

And the rest conditions for engineers at the house? They are far from suitable at all of them. According to Ministry of Railways data, about one-third of locomotive brigade personnel need better housing. However, this problem, of no small importance to traffic safety, has been resolved neither poorly nor well until recently. Only now, when there is a crash of thunder, have they begun to move.

"More than 20 years ago, V. Shakhnarovich, lead specialist at the VNIIZhG and candidate of medical sciences, says, "our institute prepared and submitted recommendations to the Ministry of Railways on the work and rest routine for locomotive brigades. In particular, a minimum of 16 hours of rest before runs was substantiated for engineers, with a 'ceiling' of 120 hours of overtime per year, a maximum work shift of 12 hours and a normal shift of 6 to 8 hours. We never tired of reminding them in all the years past that violation of these standards is fraught with dangerous consequences. But they haven't devoted much attention to our warnings."

The growth of transport has not been accompanied by the appropriate technical development of stations and lines. As a result, traffic density has increased and capacity reserves have run low, and the administration has proved to be incapable of establishing an efficient traffic pattern on most of the lines. On the other hand, its hapless efforts to patch up the crumbling schedule have turned into more and more additional work for the locomotive brigades.

The misuse of overtime has increased, reaching an unprecedented level last year. On many lines, they have accumulated an average of three times as much as the permissible norm, and individual engineers have exceeded the norm by 10 times as much. Their work shift has been as much as 20 to 22 hours long. Half the authorized rest time is left before a run. And the excessive strain on locomotive brigades has become more and more perceptible. Cases of passing through stop signals, sleeping on the job, and other violations have become more frequent. This has led to an increase in the number of accidents and wrecks. Engineers have made their regrettable contribution to the dismal record of 1987. Nearly three times as many passengers were killed and four times as many were traumatized then than ever before.

"Nevertheless, the basic cause of the accidents and wrecks related to the actions of locomotive brigades is the careless, irresponsible attitude of individual engineers toward their responsibilities and lack of discipline," says G. Kryzhanovskiy, first deputy chief of the Traffic Safety Main Administration of the Ministry of Railways. "This leads to runs through stop signals, excessive speed in sections where it is restricted, and delayed and incorrect braking. The tragic events of recent years provide a considerable number of examples of that."

In March this year, freight train engineer I. Gidraytis entered a siding with excessive speed at the Klaypeda Predportovaya station on the Baltic Railroad. But when he suddenly thought about this and began braking, it was too late. At the switch, 30 tank cars were derailed and turned over; they contained petroleum residue, which spilled not far from the sea beaches.

At the end of the same month, the engineers of passenger train No 24 from Moscow to Dushanbe, G. Grichin and A. Udodenko, were traveling three times faster than the permissible speed on a dangerous section near the station of Termez on the Central Asian Railroad. One passenger died and 14 were severely injured. When they checked, they were convinced: the section was identified with the appropriate signals, and in addition, the brigades of both locomotives had written warnings about restricting speed here to 25 kilometers per hour.

In August, near the station of Bataysk on the North Caucasus Railroad, the engineer of passenger train No 181 from Anapa to Moscow, I. Chizhik, went through a

red signal. In spite of the yellow (warning) lights of the preceding route signal. As a result, it collided with passenger train No 256 from Novorossiysk to Kharkov. It was only by sheer luck that no one was hurt.

But probably the engineers who misuse alcohol represent the greatest threat to traffic safety.

According to data from the Medical and Sanitation Main Administration of the Ministry of Railways, 542 engineers and 1,537 assistants were not authorized to make runs last year "because of the presence of alcohol in their blood." Although the Mokhova-Shinkarenko tube [presumably: type of breathalyzer] is being used everywhere it does not always work. Another instrument, the PPS-1, is more reliable here. Although it is being introduced on the lines very slowly.

In addition, for certain individuals the engineer's cab has become a suitable place for drinking. Even last year, the brigade on electric train No 6112 from the Nakhabino depot fell asleep at a light signal at the ninth kilometer in the Moskovsko-Rizhskoye direction after drinking during the run. Fortunately, railroad workers riding on the train reported the incident in time to the nearest station and managed to prevent a disaster.

"For coming to work with signs of intoxication, the engineer is to be deprived of rights to drive and dismissed from the depot," states A. Kondratenko, chief of the Locomotives Main Administration of the Ministry of Railways. "But usually in such cases they have been restricted by transfer to a lower-paying position and only for 3 months."

There is a well-known school problem: two trains have left two cities in the direction opposite to each other. So that they do not collide, we should work out an ending not in the old way, but by restructuring all participants in the traffic—from the engineer and his assistant to the minister of railways. Only in this way can we ensure complete safety for the trains and their millions of passengers.

#### **Railcar Shortages Hamper Donetsk Mines**

*18290070a Moscow GUDOK in Russian 19 Nov 88 p 1*

[Article by B. Sverdlov, GUDOK correspondent: "You Will Not Change It With a Fine"; first paragraph is GUDOK introduction]

[Text] Donetsk—The Donetsk Railroad has not received more than 70,000 empty railcars this year. The arrears in loading exceeded a million tons during the fourth quarter and are continuing to grow.

The directors of a majority of mines and coal enrichment plants look rather [askance] at N. Rogov, deputy chief of the Donetsk Railroad. He has the last word in distributing the empty gondola cars of which the Donbass is

experiencing an acute shortage this fall. That is why he often refuses even those mines where the storage areas are overflowing.

One day, N. Gavrik, the incensed chief of the Artemugol PTU [Loading and Transport Administration], crossed the threshold of his office and invited Nikolay Vasilyevich to go to one of the association's mines. When they arrived there, he pointed out a mountain of coal.

"Well, is it impressive? There is something else good about it; spontaneous combustion will begin."

The railroad's deputy chief replied: "I see and I understand your concern—only, there is nothing with which to help. There aren't enough empties." These days, a more difficult situation in the Dobropolyeugol Association has caused special alarm. There, they have been forced to "put the brakes to" the mining of fuel at several mines.

Yes, it is difficult for the Donbass railroad workers. One would think that under cost accounting and self-financing, the ruble would force neighboring mainlines to supply empties more energetically. But no: The coal loading railroad is short several hundred gondola cars for days on end—although the contract provides for impressive fines for the failure of empties disposition mainlines to fulfill the daily plan for handing over empties. However, as they say on the Donetsk, you will not replace railcars with money. That is why the neighbors dismiss any amount of fines calmly. If only they would fulfill their orders. The money earned doing this would repay the forfeit with interest.

The result of this policy is at hand. This year, the Donetsk was short more than 70,000 empties; on the average, it failed to receive more than 200 per day. If they had relied only on the empties disposition list here, the metallurgists and power people would have failed to dispatch more than five million tons of fuel. Nevertheless, the railroad is stretching the state order out and has fallen behind the operational plan by a million tons (again, a multi-planned character!). The Donetsk Railroad dispatchers are trying to fulfill three basic commandments: First, to run empty consists only on a green light; second, to insure a double loading and unloading for each local railcar per day; and third, bring turned-in trains to junctions without hindrance.

There is a fourth one—to insure maximum loading of each railcar (only this has permitted the railroad to save approximately 9,000 of them today). However, other commandments are helping the collectives of the railroad shifts to achieve high indicators. On the eve of the October holiday, the director of a single Komsomol youth shift, Aleksandr Bondarenko, returned from Kiev with a pennant on which was inscribed: "To the Collective imeni 70th Anniversary of the Komsomol for first place in the Rhythm, Speed-88 Competition of Komsomol youth collectives."

The speed of trains during the shift's tour of duty was indeed an express one. You see, when—for example—the mines of the western Donbass find themselves on hunger rations, it is necessary to nourish them with empties coming from the North Caucasus Railroad. You will not gather speed on the main Caucasus avenue—they are limiting passenger trains there. It is necessary to drive them to the other end of the railroad.

The Debal'tsevs'koye Coal Loading Division, whose mines primarily depend on nourishment with empties from without, is under the special control of the railroad's dispatchers—unlike the Yasinovats'koye where they receive gondola cars for local unloading.

Shunting is necessary. The success in transporting fuel depends a great deal on it. During the tour of duty of dispatcher R. Stepanenko and railcar distributor V. Fisyuk, the division is experiencing a shortage of empties to a lesser degree. They inquire beforehand about the approach of gondola cars and together with the division duty attendant and main dispatcher at Debal'tsevo Station compile an accurate action program for the next three-four hours. This permits the miners to be informed in a timely fashion about the approach of empty rolling stock and gives them an opportunity to prepare more thoroughly for the loading. The mechanized repair points, of which there are 30 in the division, are also prepared to receive them. This is good since neighboring railroads send enough "sick" gondola cars—it happens that every third one in a consist is one of these. It is necessary to assess them and send them quickly to repair personnel.

The Donetsk dispatchers have another "bad period." Since the beginning of the year they have built rights-of-way for almost 80,000 heavy trains. More than 60 million tons of additional freight has been dispatched in them. Here, it has long been accepted to consider each dispatched consist, which is not fully loaded, a serious deficiency in the work of the classification yards. However, there are those against increasing the weight of a train by joining consists and powering them with several locomotives. For a check off.

The railroad has increased the weight of a train per power plant from year to year. If the train situation and road alignment permit, the dispatchers do not miss the opportunity to send, for example, ten thousanders—although it is not very easy to do this under the conditions of the industrial Donbass where freight stations exist every 10-15 kilometers and where almost all gondola cars are heavily loaded—most of all, the heavily loaded ones credited to the single Komsomol shift.

I am afraid, no matter what opinion the readers have, that it is not likely that the Donetsk will easily cope with the difficulties that are arising due to the fault of the empties disposition railroads. No, they are falling behind. It will be necessary to pay a dear price for this—

in idle time at the coal-faces and the storing of coal instead of immediately loading it in railcars and sending it to the consumer.

#### **Belorussian RR Tests New Train Control System** *18290070b Moscow GUDOK in Russian 19 Nov 88 p 1*

[Article by D. Semenov: "The Control Center Is In Communications"]

[Text] Minsk—The thought of centralized shipment management came to the chief of the Belorussian Railroad more than a decade ago. At that time, Andrey Grigoryevich Andreyev was the chief of the Far Eastern Railroad. He conceived the idea of assembling all train dispatchers in Khabarovsk under one roof—on the third floor of the railroad's headquarters. The office had already been built but I. Pavlovskiy, the then minister of railways, categorically objected and even banned a return to this idea.

However, time passed. Whereas there was little electronic help to implement what had been thought up more than a decade ago, now—on each train dispatcher's table—automatic equipment computes, prints and shows on a display screen all the required information.

The idea had waited for its "starring hour" and it had come. It could not fail to come because "steam engine" notions about managing the train situation were still living with the existing traction and handling equipment. Everywhere—not only on the Belorussian but also on other railroads—train dispatchers "sat" in steam-engine sections although there were so many safety interlocks and so much dispatcher centralization everywhere that a section not of 150-200 kilometers but of a thousand and one and a half thousand might as well be allotted to a train dispatcher for management!

You see, it is strange that seven train dispatchers solidly sat at their dispatcher tables on the 612-kilometer section from the junction with the Moscow Railroad through the station of Krasnoye to the border city of Brest. This section is dual-tracked and equipped with automatic equipment at stations along its entire length.

I asked the duty attendant at the Minsk Division whether it was possible for a train dispatcher to influence the situation. He replied that it was only possible to delay but not to speed up because the engineer travels the route using traffic light signals at the speed stipulated for him.

Thus, under these conditions, who is now the train dispatcher on the dual-tracked section? The recorder of many hundreds of figures.

We dropped by the office of the train dispatcher for the Orsha-Borisov section. A printer came alive. It was transmitting from Orsha through the railroad's computer center that train No 3402 had left at 0950, that an engineer named Morozik was in the engine driving it,



and that there were so many box cars, flatcars, gondola, and tank cars in the consist. The printer also reported what cargo the train was carrying, where it was going and to whom .... It gave the number of the railcar at the head and rear of the consist. It told when the engineer was on a trip, what the length of the route was and what its weight was.

You see, all of this was previously inscribed on the schedule. Now, until the Minsk Division "smooths out" the new program, the dispatchers "drive" the schedule manually. However, this routine will end at the end of this year and the dispatcher will become a consumer of the information that the railroad's computer center distributes.

This program will be a reliable help in the railroad's shift to centralized management of train traffic. A prototype of it is also here, on the building's second floor, where "Gavya-Mosty Dispatcher Section" appears on the door of one room. The first model of the "Minsk" dispatcher centralization system—the work of the railroad's design and technological buro—has been installed there.

GUDOK has already reported on the testing of this new system. It differs a great deal from the existing "Neva" and "Luch" systems. First, whereas an area of 100-120 square meters is required by one dispatcher circle for coding, channeling and feeding equipment, the small design of the "Minsk-1" is freely accommodated in a standard equipment rack. Second, whereas the cost of a standard system complex varies from 600,000 to one million rubles, the cost of the "Minsk-1" ranges from 60,000 to 100,000 for a central post set. There is also a difference in the size of the section for one dispatcher position. For the "Neva", it is 20 stations, for the "Lucha"—36; but for the "Minsk-1"—up to 100 stations.

The error probability, appearance of signal distortion and dependability of the Minsk system is 10-30-fold higher and the labor intensiveness in designing a central post is 10-20-fold less than the standard one.

When they tested the new system here, a dispatcher, who knew this section, came from Baranovich. He familiarized himself with the equipment within literally a half hour. Minsk specialists were sitting behind the dispatcher table in a week.

The assembly of an improved system—the "Minsk-2"—soon began in neighboring rooms. The industrial enterprises in the Belorussian capital are helping the railroad workers to develop and manufacture it.

At the present time, there are eight dispatcher circles on the Vitebsk Division. Six of them will remain with the shift of control to Minsk. A number of sections of the Minsk and Baranovich divisions will also become part of the new set-up.

The strengthening of the dispatcher sections is not an end in itself. It will permit a number of unpleasant items, which are involved in the transfer of trains at junctions, to be removed from the agenda.

During 1989, management will be shifted to Minsk gradually—section by section. In this way, all six divisions will form three main avenues of railcar traffic: Smolensk-Brest, Ovruch-Yezerishche, and Gomel-Gudogay, with all of the branches bordering on them. The system provides for distributing economic evaluations of the work, which has been done, in an operational manner. It is based on the principle: "paper-free management." The design and technological buro is already working on and testing an electronic train graph. A computer draws a graph of the movement of passenger, freight and other trains in four colors on a color television screen.

This, however, is in the future—as they say. For the present, that which is already operating was shown at a meeting of the Scientific and Technical Department presidium of the Ministry of Railways on 15 August of this year and received a high rating.

Specialists from several railroads managed to familiarize themselves with the new system. The directors of the Tselina Railroad were the first to express a desire to receive the technological equipment of the "Minsk-2" system that is being produced in the Belorussian's design and technical buro.

#### **Containers, Repair Base Inadequacies Examined** *18290071a Moscow GUDOK in Russian 22 Nov 88 p 2*

[Article by P. Kolesnikov: "Three Nurses..."; first paragraph is GUDOK introduction]

[Text] Railroad workers were assigned the task of putting container repairs and inspection into order two years ago. Semen Ivanovich Minayev, a Ministry of Railways Railcars Main Administration employee, talked to a GUDOK correspondent about several solved and unsolved problems.

Let us attempt to examine who owns the containers? A situation that is simply paradoxical has taken shape. Three main administrations: the Container Transport and Commercial Work (TsM), the Rolling Stock Repair and Spare Parts Production (TsTVR), and the Railcars (TsV) main administrations, participate within the Ministry of Railways in the manufacturing of containers. The actual container customer, TsM, solves all questions simultaneously with TsV since it is TsV that is the formal holder of the pool and the one responsible for repairs. TsTVR is directly engaged in the manufacturing. Such a triple and intricate system splits forces and causes turmoil during the servicing and repair of containers and the ordering of new ones.



It is TsM that works with customers. It has a whole staff of receivers and deliverers; however, few of them worry about the preservation of the container pool—formally, it belongs to the railcar workers. In turn, TsV orders containers without knowing the shipping volumes, type of freight, and other specific freight and commercial work conditions. What kind of purposeful technical policy can one talk about here?! I am convinced that it is a container main administration that should wholly and completely own the containers! This would permit the railcar workers to concentrate their efforts on strengthening the repair base.

It is no secret that the repair base lags behind a healthy one. In 1985, for example, routine repairs managed to embrace only approximately 40 percent of the container park needing it. Container production is steadily growing. The requirement for repairs is increasing correspondingly. The Ministry of Railways issued Order 26Ts so as to normalize the situation. The order provides for the construction, reconstruction and expansion of six large repair bases with a total capacity of more than 20,000 containers a year. It will be necessary to spend almost 12 million rubles on them, but the requirement will be covered by barely a third.

Yes, and things have not gone well with construction: This year, they are starting up workshops only in Osio-vichi on the Belorussian Railroad—yes, and this, as they say, with a great deal of blood. Are there no reserves directly on the spot or at terminals to handle containers? It turned out that a repair site had been provided for at practically all stations where there are container areas. Apparently, they did not allocate equipment at the proper time; they did not use the repair areas as intended and soon forgot about them entirely.

Properly speaking, an area, a crane with a sufficient weight-lifting capacity and some kind of mechanization system, for example, machinery of the MRK-2 type, are needed for planned routine repairs. There is practically nowhere to purchase such machinery. This has primarily hindered the establishment of repair bases at terminals.

The Kleparov Railcar Depot on the Lvov Railroad solved the problem creatively and in the spirit of the times—they applied themselves to it and made it themselves. With its help, they now repair large tonnage containers at the station of Sknilov. There was a crane there—but the workshops, storerooms and amenity premises ... they assembled them from eight written-off containers. Everything required by a brigade of 12-13 people was accommodated here. The expenditures for organizing the repair point did not exceed 50,000 rubles. Yes, and they managed it within a year.

The ministry supported the initiative of the Kleparov Railcar Depot workers. It conducted a network school and tried to make the progressive experience common property. Other railroads, where it was more convenient to have their repair bases at hand than to send defective

containers to the other end of the world, began this work immediately after the Lvov Railroad. Specialists in the Shakhunya Railcar Depot on the Gorkiy Railroad, the Pridacha Railcar Depot on the Southeastern Railroad, the Kotelnikovo Railcar Depot on the Volga Railroad, and the Termez Railcar Depot of the Central Asian Railroad effectively built similar workshops for the repair of large-tonnage containers.

According to a plan approved by the Ministry of Railways, there will be more than 90 of these repair bases at terminals by 1991. Thereby, the acuteness of the container problem will be removed in the well known sense.

In my opinion, an opportunity has presented itself to separate repairs into overhauls performed at a depot and routine repairs within the capabilities of container yard workshops. In my opinion, the container main administration workers should take under their wing the organization of routine repairs—yes, and the workshops themselves.

#### Conference Debates BAM's Future

*18290071b Moscow GUDOK in Russian 8 Dec 88 p 2*

[Article by T. Andreyeva, GUDOK correspondent: "BAM ... Auction It?"; first two paragraphs are GUDOK introduction]

[Text] Tynda—Recently during a city party conference to hear reports and elect officials in Tynda, the delegates ardently discussed the words, which the Ministry of Railways Collegium spoke during a meeting—words about BAM annually losing on the order of 200 million. Two conclusions are possible. Either the railroad will cease to be only an expense before the end of the five-year plan by decreasing the enormous expenditures and increasing its work volumes or it will be necessary to decide on reorganizing it by dividing it into parts and transferring them to neighboring railroads (GUDOK, 20 September). The participants in the conference unanimously came out against reorganizing the mainline and decided to send their resolution to the CPSU Central Committee and the Ministry of Railways. Several hot-heads suggested that the conference not limit itself to this; they said that pinning one's hopes on paper is not enough—paper can suddenly become lost. It is necessary, they said, to establish a "front to defend BAM" and to take to the streets with transparencies.

I will say right out: The affair has still not gotten to a "front" and transparencies, but the people are filled with indignation: Why is the fate of the railroad, with which the interests of the entire region's population are connected, being solved privately? Why did the Ministry of Railways ask for the neighboring railroads' agreement to the transfer of BAM sections to them, and no one asked the BAM people themselves about this?

### There Are Grounds For Concern

One of the railroad's responsible workers recently called the Ministry of Railways in order to firm up the delivery times of some equipment, but they were truly surprised at the other end of the line: "What deliveries? You see, they are disbanding you!"

Apparently, it is one of two things: Either some ministry staff workers think that that, which the Ministry of Railways Collegium meeting talked about as a suggested plan, is an accomplished fact or they are simply using the situation to decline any responsibility regarding the Baykal-Amur Railroad. All of this is complicating work at a very critical time—on the eve of BAM starting permanent operation.

Let us give some thought to this: Can the Baykal-Amur Railroad become profitable by the end of the five-year plan? For a beginning, where are its losses being taken from? The road is being constructed at a modern level. Large depots well equipped in a technological sense, powerful boiler houses with the latest equipment, diesel locomotives produced especially for BAM—will you really have me list everything? All of this is expensive.

It is sufficient to say that the railroad's fixed capital will be equal in cost by the end of the five-year plan to the fixed capital of three railroads—the Far Eastern, Transbaykal and East Siberian taken together. Amortization allowances on BAM are slightly less than half of all operating expenditures. Outlays on the road are great because 60 percent of the staff, which is required for normal operations, has been assembled here; however, shipments are still only at 10 percent of the planned volume. The trouble is that the required staff depends not only on shipping volumes but also on the length of the road and the number and complexity of the installations located on it. It is very difficult to reduce the number of workers there sharply in practice.

Another matter is the loading of the people with work. In order words, increasing shipping volumes. However, as they say, you will not gather momentum terribly much. The railroad is still being built. It is a gigantic construction area. Two sections have still not been accepted for operation. This represents 550 kilometers out of the 3,200 total length. Nevertheless, BAM is ready today to accept transit traffic from Lena-Vostochnaya to Komsomolsk-na-Amure—one-two trains a day at present but, later on, 20 or more.

Travel on the coal routes from Berkakit through Tynda to the east and west is already being tested. It is necessary to make it a regular one. It is also possible to increase the loading of south Yakut coal and timber from the zone adjacent to BAM by developing and constructing new approach lines. This will provide additional profit.

One can also reduce operating costs by improving the production and management structure and creating the

best economy. If one puts together the entire savings that can be achieved, organizes work more accurately, and uses equipment and techniques more effectively without allowing crashes and waste, then an impressive sum will be received most likely.

A large discussion of this took place in a technical and economic meeting that was held in the railroad's administration. During it, all services offered their estimates. There were many ideas: Combine all civilian construction subdivisions into one powerful trust, eliminate the depot at the Evoron siding, and preserve individual installations and sections. One can lease out unused producer goods and open new production facilities in empty shops. The opinion was expressed that it would be worthwhile to abandon several projects that have still not been built (primarily, these consist of bases and repair shops). However, V. Gorbunov, the chief of the railroad, rejected this proposal immediately: "One cannot sacrifice BAM's future for a momentary benefit."

He supported the idea of sending an appeal about re-evaluating the fixed capital to the USSR Council of Ministers. It had been evaluated according to old expenditure scales. For example, expenditures for the construction of every small stove, temporary highway, port, berth, and everything else that is not related to a railroad but which it, nevertheless, pays for, were included in the fixed capital costs.

However, let us look the truth in the eye: All of these measures will not save the situation. Losses, of course will be reduced, but the railroad will not become profitable. Yes, it is also probably impossible to demand this from it. You see, this mainline is a pioneering one and freight traffic will grow on it as the regions adjacent to it develop.

At that same meeting, I. Minenkova, the chief of the economic services, cited descriptive figures. According to estimates by economists, the subsidies required for BAM will grow and reach 248.5 million rubles by 1990. Then, they will begin to decrease gradually. Whereas the percentage of subsidies in the total balance will be 76 percent in 1989, the year of BAM's commissioning, they will decrease threefold in 1995. By that time, the railroad's expenditures will amount to 583 million rubles and income will be 417 million, that is, income will grow more than sixfold.

This is with the existing tariffs which do not consider transport costs. You will agree that they are different in the center of the country and on BAM. For some reason south Yakut coal costs the user severalfold more than Kuzbass coal, but the transportation of both by railroad costs the same.

The tariffs must be changed. However, this is a long-term matter. Apparently, it is possible to give BAM a higher coefficient during the distribution of income. Specialists calculate that whereas BAM will receive a coefficient of

"3" in 1990 (the first year of full permanent operation), it will be possible to reduce it to "1.59" by 1995. This is hardly more than what the Far Eastern Railroad receives today.

With the introduction of a coefficient, the Baykal-Amur Mainline will cease to be a subsidized one—true, only in form. You see, a coefficient is the same as a subsidy—only, it is a concealed one. Essentially, in order to become profitable, the railroad needs a full-blooded traffic rhythm and a goodly amount of work. Opportunities for this exist: After commissioning, BAM will immediately reach the average network level according to the most important indicators. Such indicators as schedule speed, train weight and locomotive and railcar productivity will be even higher here than in many other places. The new mainline is almost 500 kilometers shorter than the Trans-Siberian. This means that freight will arrive at its destination a day faster.

#### There Is One Question: Transport What?

You see, they have still not really begun to master the BAM zone economically and to develop its rich larder that contains all of Mendeleyev's table. They are not planning the shipment of oil, which they counted on when justifying the project. It seems, however, that there are other opportunities. It is possible to switch part of the freight traffic from the Trans-Siberian. It is operating with an obvious overload. "Traffic jams" often occur because of the reconstruction and modernization taking place on the railroad, and consignees wait months for their freight.

There is another loading variant—expand international transport ties. Japan is ready—at once, if you like—to send its transit freight to Europe and tourist trains on BAM. Other countries are also interested in a transcontinental transport conveyor.

Exception can be taken with me: What are you talking about? You see, the Law on a State Enterprise exists. According to it, unprofitable enterprises are subject to liquidation. However, can one apply this law to a railroad that is still being built? Let us assume that it is possible to do this. What then? Will we break up and expunge BAM from all railroad guides and will we forget that there was such a mainline? Will our descendants forgive us for doing this?

It is surprising that several of those, who praised BAM yesterday as a symbol of courage and heroism and who shouted louder than anyone: "You are providing the mainline of the century!", are among the supporters of this solution. Today, they have "reformed" and shout with the same readiness: "It is a shady enterprise!" Journalists from various newspapers, as if they have arranged things, affirm: "BAM is a mistake—a railroad which leads nowhere and has had enough national money sunk into it...." The following arguments are sometimes cited. Sausages are rising in price and there is

nothing with which to buy meat abroad. However, we are building BAM.... A Philistine type of logic, of course, but it is faultless.

What is especially distressing is that no one raises an objection and no one refutes it. The USSR Academy of Sciences scientific council for BAM problems, which described for all these years to us the optimistic prospects that are opening up for Siberia and the Far East with the construction of a second Trans-Siberian, no longer exists. The scientists have also reformed, having written volumes of scientific works on BAM and having defended hundreds of dissertations. They have changed the direction of their research and they have produced a mess, which could not have been made without their participation, for others to untangle.

The Komsomol Central Committee is also looking extremely coolly at how the prestige of the Baykal-Amur Mainline, which it was so proud of and which was an example with which to rear youth, is falling catastrophically. They even did not recall the main Komsomol construction project during the celebrations for the 70th anniversary of the Komsomol.

Generally speaking, everyone took the position: "It is no concern of mine" and left the situation, which had been created, to the Ministry of Railways alone to be corrected. A paradox: One department will have to solve the fate of a railroad, which must become the first step in fulfilling a state, and that means—a non-departmental—program for developing the new regions.

It is agonizingly searching for a way out: How throw off the heavy yoke and what is BAM to be with its losses and very complex problems whose solution will probably require more than one five-year plan? However, does the way out lie in the planned reorganization?

Honestly speaking, after they conferred the temporary Red Banner of the Ministry of Railways and the branch trade union Central Committee on the Baykal-Amur Railroad during the third quarter for its results in the All-Union Socialist Competition, the situation became more than strange: Award and ... eliminate!

Let us turn to the language of facts and figures. What can a reorganization provide? A savings amounting to less than three million rubles—at the expense of eliminating the railroad's management staff. Where will the money come from for the other 232.5 million rubles of losses which they are planning for, for example, during next year? Apparently, the three neighboring railroads, between which it is being suggested to divide BAM, must cover them with their own income. Are these incomes great? For example, the Far Eastern Railroad is considered profitable thanks only to the income distribution coefficient being used—1.55. When it takes a section of BAM onto its balance sheet, it will clearly not make ends

meet and will be forced to ask the ministry for an increase in the coefficient. Would it not be simpler to give it to BAM?

As is known, the total does not change with a shift in the position of the components. It is wrong to expect that, having replaced one owner with three, the Baykal-Amur Railroad will become profitable. The losses will remain the same—they are simply being divided up.

What interest is there for the neighboring roads to do this? Why should they hang a millstone around their neck? The fact is that the millstone is in a valuable setting. BAM has something to profit from (if they will excuse me for that expression): the latest equipment, technology, and scarce materials. Even if—in the final analysis—there is little money, 1.6 billion rubles still remains to be assimilated for the project. They will assimilate these on .... the Trans-Siberian. You see, the majority of the bottlenecks are there.

In general, the new mainline can be transformed into an appendage of the Trans-Siberian. People will begin to scatter... Does this really not trouble anyone? Except for the builders of the all-union shock railroad? How hard it is for a person, who has given BAM the best years of his youth, his strength and his health and who has worked honestly for three five-year plans, to find out from the newspapers that he built a "monument to stagnation?"

V. Degtyarev, the chief of the board of directors for BAM's construction, thinks: "During the reorganization, a mass of difficulties will arise for the builders and operating personnel in design work, in the examining of cost estimates and plans and specifications, in planning, and in financing. Imagine, each document will have to be coordinated in three places. What a waste of time that will be?! And what about equipment? I think that an obstruction will occur. We have more than 300,000 item descriptions. The confusion will lead to disorganization on the construction site—and this during a period of mass project commissionings. It will result in the completion of BAM's construction being stretched out for an indeterminable time.

Possibly, there will be nothing to finish building. It will remain as it is. The new owners may have no need for a passenger facility base in Tynda or dual tracks on the Bamovskaya-Berkakit line .... And then 50,000 builders in the Bamtransstroy design, industrial and construction association will be forced to look for other work for themselves. The collective of highly qualified builders will simply not exist. Who will gain what from this?

The arrival of and the arranging for services for each individual here, in the BAM zone, comes to more than 20,000 rubles more than in the country's middle belt. Let us multiply them by the number of those who have left and those who will come to replace them. Incidentally, IZVESTIYA has cited the figure: The state has lost five

billion rubles during the last two five-year plans from the thoughtless shuffle of personnel.

#### How Will It Be

I think that the sleepy silence in these kray has seen its last days. Industrial enterprises will be built here; it is more and more difficult to find sites for them in the west. The density of industry has reached a critical mass in a number of regions. There is nothing for people to breathe because of harmful discharges by industrial giants. Here, in the east, there is enormous territory on which there was one person per one square kilometer during pre-BAM days. Here, there is somewhere to spread out. And there is still a need for someone to build. A long-term complex program for the development of Siberian and Far Eastern production forces during the period out to the year 2000 has outlined and planned this growth. The Baykal-Amur Mainline is the core of this program. Probably, a decision to place the subsidies for the new railroad construction on the shoulders of not one, but several, departments—those that are required to develop the BAM zone in implementing the program—would be fair. This will force them to begin work in the east more energetically.

In any case, one should resolve the main question before deciding whether BAM is necessary: Do we need the Far East State Program? Will we fulfill it? Because, if it is necessary, then what is it without its main construction project—without BAM? If it is not necessary, then one should tell the people honestly: Excuse us, we summoned you here by mistake. The Far East does not now need your hands. Let the "storerooms" and what has been "imprinted" stand until better times. Let us not add a mistake to a mistake: putting money into a railroad that is not needed, building cities which have no future and erecting houses in which there will be no one to live....

This question must be solved from a state position in the interest of our entire society.

### MARITIME AND RIVER FLEETS

**RSFSR Ministry of River Fleet Reorganizes**  
18290044 Moscow VODNYY TRANSPORT in Russian  
6 Nov 88 p 2

[Interview with N. Smirnov, deputy minister of the RSFSR River Fleet, by V. Ruban: "Not the Number, but the Ability"; date and place not given; first two paragraphs are VODNYY TRANSPORT introduction]

[Text] The restructuring taking place in the country is essentially a revolutionary process. Administrative-command methods of management are being left behind, and they are being replaced by economic ones, based on common sense and a true analysis of the situation that has formed. For almost a year the river fleet has been working under full cost accounting and self-financing.



It is natural that the functions of the administrative apparatus have also changed in many ways. Our correspondent asked N. Smirnov, deputy minister of the RSFSR River Fleet, to tell us how the restructuring is proceeding in the work of the sector's staff.

[Ruban] Nikolay Grigoryevich, the questions with which I should like to begin the conversation form the contents of many letters from our readers. Here are the most characteristic of them: what are the special features of the new structure of the central staff? What caused the reorganization and along what paths is it being led?

[Smirnov] The government approved the master plan for administration of the river fleet, worked out by the RSFSR Ministry of the River Fleet, which specifies abolishing twenty independent administrations and divisions of the central system, reinforcing the functional subdivisions and more clear-cut division of the functions among them. It was stipulated that the size of the central staff be reduced by 36 percent. To carry out this decree required that 234 specialists be released and other jobs be arranged for them. As compared with other ministries, the complexity lay in the fact that we had no intermediate administrative units in the form of associations. The sector had operated, even before, with a two-unit structure—ministry-shipping company. Therefore, the entire curtailment was at the cost of the central staff, in which, after reorganization, 420 persons remained.

To carry this out, let us say directly, was difficult work, and the ministry formed a committee for job placement. Similar committees were created at the main administrations and administrations of the ministry. A special feature of this reduction of the central staff, as compared with the preceding ones, lies in the fact that the entire activity of the directors of the ministry, administrations and committees was built on the basis of broad democracy and glasnost. The plans for the new structure of the central staff and staff schedule of the subdivisions, and personal composition of the persons released were all discussed in the work collectives, and everything was done openly.

The collegium and party committee of the ministry set the task of promptly carrying out the reduction in number, having at the same time reinforced the personnel composition of the central staff and arranged jobs for all the workers released. All the work was done in the stated periods. Starting on 1 November, the Ministry of the River Fleet converted to the new administrative structure. As a result, 67 specialists were transferred from the central staff to Moscow river transport organizations, 53—to enterprises of other ministries and departments, 57 persons, having reached their pension age, had earned retirement, and 39—chose their own work and went off to work as they wished. Only 9 persons were dismissed because of the reduction in staff, with the permission of the trade union, although they too were offered work.

Unfortunately, six persons have not so far had jobs arranged. The reason in this case is an objective one—illness. We are paying particular attention to these specialists and are taking all measures to find work for them.

The ministry staff has undergone substantial changes. Judge for yourself—instead of 29 structural subdivisions, only 17 are left. The point, of course, is not only in the number of them, but most of all in their quality. Their functions have begun to a great extent to come up to the tasks of the economic reform being carried out in the sector.

[Ruban] A great deal has recently been written on bureaucrats—active opponents of restructuring. Let us speak directly—many are prepared to include among them practically all ministry workers. Do you share this point of view?

[Smirnov] This is a simplified approach. Indeed, bureaucracy exists, but let us look objectively at who and how they got into the central staff. They are mainly people who have worked many years in fleet and shore enterprises. It is not their fault that the tendency in the stagnant years to swell the administrative staff led to an excessive number of office workers.

The present reduction in ministry staff is a measure dictated by life itself, by economic methods of administration. The reorganization being carried out has made it possible to release experienced specialists, who know the sector well. This made it possible to reinforce the capital enterprises with personnel.

For example, our best specialists were directed to the Moscow Shipping Company: V. Berezin, as the chief of the shipping company, and M. Gusev, as the deputy personnel chief of the shipping company. Many qualified workers transferred to Giprorrechtrans, the Moscow Institute of Water Transport Engineers, the Rechport Scientific-Production Association, TsNIIIEVT [Central Scientific Research Institute of River Transport Economics and Engineering] and other organizations. I think that the experience that they acquired while working on the central staff will enable them to make a significant contribution to improving the operation of these subdivisions.

[Ruban] What problems have arisen in the process of reducing the staff?

[Smirnov] It goes without saying, not everything has gone smoothly, without objections from some comrades, and that is precisely why they were made redundant.

Some of them can be understood: customary work, good work conditions, planned solutions of social problems—housing, leisure and medical treatment, full provision of the staff with summer homes and garden plots—they naturally did not want to lose all this. Considering their great contribution to the development of the sector, the



trade union committee of the ministry decided to leave some former ministry workers their section of housing and gardens. The attentive attitude of the directors of the main administrations, public organizations and committees on job placement, and the explanations helped to solve these disagreements and to arrange jobs for all the workers who had been made redundant, at places where they would gladly go, and, I think, would be of use.

Once again, I wish to emphasize something. In making the reductions, the skill level of literally each specialist was determined objectively, and length of work service, age, family situation and dependence were taken into consideration.

We were given appreciable help in arranging jobs for the specialists by the Center for Job Placement, Retraining and Vocational Orientation in Sverdlovskiy Rayon in Moscow. I wish only that the vacancies that they offered were more real. Often specialists, going to an enterprise on the recommendation of the center, would discover that the position was taken. There is, I think, however, a future for the centers, for after all the process of reorganizing the administrative staff is just taking its first steps.

[Ruban] Nikolay Grigoryevich, you spoke of the fact that reducing the central staff made it possible to reinforce Moscow enterprises with highly skilled personnel. After all, though, as we know, the line subdivisions in other regions also need people with a knowledge of their business....

[Smirnov] When beginning work on staff cuts, we took into account the fact that some specialists were promising, but did not have enough practical work experience, and would go to work at the line enterprises of the shipping company. In addition, the decision was made to reserve housing in Moscow during the departure of specialists on the ministry staffs resulting from a reduction in any region of the Soviet Union. They were offered very interesting and promising positions at ports, at plants and at shipping companies. Not one of them, however, expressed the desire to leave Moscow. In addition, in the future, in five years, it might be possible for them to return to the ministry staff, after having obtained good practical hard training. Unfortunately, we did not succeed in putting our idea into practice. What a shame!

[Ruban] In what way are the functions of the staff workers changing?

[Smirnov] In accordance with the USSR Law on the State Enterprise, the rights of the shipping companies were considerably expanded, and they were given many functions of the central system. Under these conditions, the functions of the staff should not be contrived, but should flow from the need of the shipping companies, enterprises and organizations.

A good trend has recently been noticed—the possibility is being created for fruitful and efficient work for highly skilled specialists on the staff.

They assist the shipping companies in introducing cost accounting and new forms of labor organization, provide the work collectives with promising technology, organize the retraining of personnel at the level of today's demands and coordinate the schedules of the ship traffic through the chains of locks.

There is no doubt that the roots of the administrative methods of command are still alive. Some workers on the staff forget that the USSR Law on the State Enterprise stipulates their responsibility for incorrect administrative decisions. What formerly got out of hand does not go without leaving a trace today.

The Volga United River Shipping Company refused to pay the bill for importing a diesel, amounting to over one million rubles. It was established by investigating that the workers of Glavnasab and Glavflot sent the schedule of allocations to Sudimport for unloading, without having confirmation from the Volga United River Shipping Company for payment. The guilty parties will be materially punished. This is also a school of restructuring.

This example shows graphically that the style and methods of work for the specialists can no longer help but correspond to the operating conditions of reform.

The staff of the Ministry of the River Fleet consists of highly skilled specialists. The ministry—one of the oldest in the country—has good traditions. I am convinced that even the reduced form of its staff today will successfully cope with the tasks set for it. Everything depends on the activity of each person. This activity today can be stimulated by raising wages through an additional amount, which can be established for a specialist from a fund formed by cutting the staff. This additional amount, however, is taken away if the specialist does not finish his work.

In a word, economic laws that have long been ignored are coming into force. A new, truly revolutionary period is beginning in the work of the central staff of the river fleet.

**New Ships for Maritime, River Fleets Noted**  
*18290082a Moscow VODNYY TRANSPORT*  
*in Russian 1 Jan 89 p 1*

[Interview with V. Starostin, deputy chief of the Shipbuilding, Ship Repair and Technical Maintenance Main Administration of the USSR Ministry of the Maritime Fleet, and I. Subottin, deputy chief of the RSFSR Economic Main Administration, by VODNYY TRANSPORT correspondent V. Uzelman: "Before the First Trip"; first paragraph is editorial introduction]

[Text] What new vessels will be appearing on the seas and rivers in the new year? Specialists from the USSR

Ministry of the Maritime Fleet and the RSFSR Ministry of the River Fleet answer this question for our correspondent.

[Starostin] Delivery of 37 transports with a total deadweight of 588,000 tons is planned for delivery in 1989. They include container ships from Bulgaria and timber carriers with a deadweight of 7,000 tons from Poland, Malta and Spain. One more railroad ferry of the "Klaypeda" and "Kaunas" type will be put into operation on the international crossing linking the USSR and the GDR. Three tankers with a deadweight of 16,000 tons will arrive from Yugoslavia and four tankers of 2,500 tons each of the "Partizansk" type will arrive from Finland. Greek shipbuilders will send us three refrigerator ships, each with a deadweight of 3,500 tons. The Baltic Shipping Company will receive three "lo-ro" [possibly: load on, roll off] vessels of the "Astrakhan" type.

[Uzelman] And what will be making our shipbuilders happy?

[Starostin] Enterprises of the domestic industry will build two tankers of the "Pobeda" type and the cargo lighter "Ernesto Che Guevara"—it will go to the Black Sea Shipping Company. They will build two supply vessels: one of the "Vitus Bering" type for Far East shipping, and the other—a new design, for Murmansk, which will be called the "Ivan Papanin." We will also receive three loaders with a deadweight of 52,000 tons, a tanker with a deadweight of 7,000 tons, a diesel vessel of the "ro-ro" [roll-on, roll-off] type for the Baltic Shipping Company, and other vessels.

[Uzelman] Will the atomic-powered fleet be increased?

[Starostin] Yes. The atomic-powered icebreakers "Taymyr" and "Sovetskiy Soyuz," of 50,000 and 75,000 horsepower, respectively, will begin operating.

[Uzelman] And what can the river fleet workers expect that is new?

[Subbotin] This year we plan a significant replenishment of the river fleet with modern vessels. Priority has been given to vessels that are not self-propelled; there will be 6 percent more of them than in 1988, and deliveries of self-propelled cargo vessels will be reduced by 20 percent.

[Uzelman] Will the river fleet receive vessels in a new series?

[Subbotin] Yes. Several type vessels will arrive. These include a diesel ship with a cargo capacity of 2,800 tons, design 17437, which will sail between points on the Arctic coast; tank barges in design 16802; an air-cushion passenger vessel of the "Barguzin" type; and a modernized 350-bed diesel vessel, design 302M. The technical and auxiliary fleet will also be replenished.

The arrival of the new fleet inspires us with confidence that the river workers of the RSFSR will cope with the year's tasks in delivering national economic cargoes.

#### **River Fleet Safety Legislation Examined** *18290082b Moscow SOVETSKAYA ROSSIYA* *in Russian 7 Jan 89 p 2*

[Report on review by RSFSR Procuracy Collegium of navigation safety violations by RSFSR Ministry of the River Fleet vessels: "An Intoxicated Captain Was Steering a Ship on the River..."]

[Text] The diesel ship "Novikov-Priboy" of the Volga-Don River Shipping Company was commissioned with a defective magnetic compass and life rafts not in usable condition. Two ships collided on the Lena River; a fire broke out on one of them and one person was killed. On Lake Onega, a tanker collided with a diesel vessel; both vessels were damaged and oil polluted the water...

These are just a few of the many cases that were cited in the collegium [of the RSFSR Procurator's Office]. There are reasons for alarm. The number of accidents in navigation last year were not reduced from the previous year and financial losses from all the accidents amounted to 669,000 rubles. The situation in the Volga-Don, White Sea-Onega, and Volga United River Shipping Companies puts us on our guard in particular. Most of the accidents are the result of flagrant violation of service regulations relating to the rules of navigation on inland waters by vessels of the Ministry of the River Fleet and violations of labor discipline. Cases of drunkenness are encountered among the workers and command personnel on vessels and some river fleet workers are even intoxicated on watch.

"The reasons for the accidents are that the Ministry of the River Fleet still has not developed a clear-cut system of organs responsible for navigation safety," says A. Godunko, chief of the department for supervising the adherence to transport laws of the RSFSR Procurator's Office. "In seeking to fulfill the production plan 'at any price,' the problems of safety are being 'brushed aside,' one may say. It is impossible to assess these cases otherwise. The river fleet now has 12,500 engines in operation whose service life has expired. Because of the poor technical condition of diesels in the high-speed hydrofoil fleet alone, over 2,000 trips were disrupted. Ship repair enterprises have actually been kept from repairing the passenger fleet.

The collegium of the RSFSR Procurator's Office recommended that transportation prosecutors devote special attention to adherence to legislation on officials' increased responsibility for observance of the rules for performance of service, technical maintenance, and ship

navigation. It is planned to significantly increase supervision of the activity of shipping company representatives, the Register of River Shipping, and ship inspections in their utilization of the rights to prevent violation of traffic safety rules.

### **Trial of New Ice-Breaker 'Successful'**

18010161 Moscow KRSNAYA ZVEZDA in Russian  
31 Dec 88 p 1

[Article by Capt 3d Rank V. Pasyakin, KRSNAYA ZVEZDA correspondent: "Sevmorput" Enters Service"]

[Text] There it is, captivating in its harmony, gigantic dimensions and grandeur, the nuclear powered, lighter-container transport icebreaker. The uncommon bright red color of the hull, and huge, snow-white superstructure—that is how I saw Sevmorput, which had just returned from performance tests.

Let us go up the extremely high side of Sevmorput; many things impress one here. Thus, radiation safety is ensured in the event of any accidents to the power plant or vessel. In contrast to ordinary heavy-tonnage vessels, Sevmorput has no limitations in navigation parameters. To determine the location of the nuclear-powered vessel, its navigation system uses data from the most varied systems, from our grandfathers' method of using the stars, to signals from space satellites.

Seventy-four lighters can be carried in Sevmorput's six cargo holds. Transportation of goods with their help is simply irreplaceable under conditions of our northern coast, where it is almost impossible to receive heavy-tonnage ships, due to the lack of ports. The autonomy with which Sevmorput sails, in terms of fuel, is virtually unlimited. One refueling is enough for 4 years. The ship develops a speed of 20.5 knots. Having a 40,000-horsepower nuclear power plant, and strong hull and bottom, the ship can punch its way through independently in ice up to a meter thick. The high degree of automation and extensive use of computers provide for unattended servicing of the nuclear power plant.

Performance tests are a most crucial period in the life of any warship or other vessel. They are implementation in practice of the capabilities built into the ship, testing its "muscles," and checking the viability and reliability of all systems and mechanisms. How did this first and most important test go for the sailors and shipbuilders?

A. Ivlev, project chief production engineer, states:

"To put it briefly, it was successful. The ship was tested in its ballast variant. But lighters and containers were onboard in order to test the cargo fastening systems. I will say that in its tests Sevmorput not only produced, but even exceeded its designed speed by four knots. Circulation dimensions were satisfied. In short, the

steerability and underway properties in the given parameters were better than calculated. The ship's equipment—the nuclear steam-producing plant, main turbo-gear aggregate, and power plant—functioned reliably and stably. We did not receive any major complaints about their functioning.

Now is a crucial period on the ship. Learning to understand its "character," and simultaneously the honing and coming together of the crew are going on. Capt Vasilii Petrovich Smirnov was entrusted to lead this work. In 1956 he completed the Leningrad Higher Engineering Naval School imeni S. O. Makarov. He has held all duty positions from fourth assistant to captain. He served orientation tours on the icebreaker Arktika, and the lighter ship Aleksey Kosygin.

"In creating Sevmorput," stated N. Volkov, Zaliv Factory director, "we made use of the production of 250 enterprises throughout the country. Some of this production is unique, made to special order, and represents experimental, pilot models. Firms from the FRG, Sweden and Finland took part in building the ship. The Finns, for example, mounted the 500 ton load capacity crane.

Sevmorput is preparing to leave its cradle and begin its work. Soon the ship will take on a set of lighters with cargo in Odessa, and go around Africa. After offloading in Vietnam, the ship will take the lighters for delivery to Vladivostok.

Good journey to you, Sevmorput!

### **Air-Cushion Ships Operate in Tomsk Swampy Area**

18290050 Moscow STROITELNAYA GAZETA  
in Russian 19 Nov 88 p 4

[Report by STROITELNAYA GAZETA correspondent N. Domozhirov: "It Fears Neither Shoals Nor Swamps"]

[Text] Tomsk-Krasnyy Yar—The first passenger runs in air-cushion vessels have begun in the country.

Winter has been coming to Tomsk Oblast earlier than usual these days. The first snow fell, the bitter Siberian winds began blowing, and the peaceful backwaters were covered with a thin layer of ice as early as the last 10 days of October. The river vessels worked well during the summer on the Tom and the Ob and their taiga tributaries, and have begun hurrying on their own power and under tow to the oblast center for repair and mooring, where they will be until May. This sharply limits our business activity with the oilfields in the North, the logging settlements, and the construction sites.

The situation will be radically improved with the beginning of intensive operation by air-cushion vessels (SVP [ACV]). After all, preliminary tests have shown that they are not bothered by shoals, or swamps, or the snowdrifts

covering the rivers. They soar over the ice even faster than over the water—up to 80 to 90 kilometers per hour. Their main advantage is that the half-year interval between seasons in transporting both passengers and cargo by water is eliminated. According to estimates by P. Drachev, deputy chief of the West Siberian River Shipping Company and candidate of economic sciences, the residents of Tomsk will require about 100 such all-terrain vehicles by the year 2000. At present, two 16-seat passenger vessels of the "Puma" type, manufactured by the experimental production facility of the "Neptun" TsKB [Central Design Bureau] of the USSR Ministry of the Shipbuilding Industry, have been received.

The 240-horsepower vessels cost 75,000 rubles each. They were purchased on a shared basis by the Tomsk River Port and the "Tomskneft" Association.

Sitting in a comfortable cabin with soft aircraft seats and small collapsible tables, the movement is so smooth that you automatically forget about it.

"Those who oppose the ACV's," Drachev says, "have been frightening us with the financial losses that are possible. In practice, it has turned out to be just the opposite. Experimental operation of the two "Pumas" will produce 20,000 rubles in profit over the winter. And one 32-seat vessel with a diesel engine which we will receive next year promises up to 100,000 rubles in profit during the season."

V. Kharin, deputy chief of the technical department of the "Tomskneft" Association, who was invited on the first trip as the river workers' most active partner in introducing the innovation, joins the conversation:

"When I promised my father-in-law, who lives in Krasny Yar, 8 years ago that I would come to visit him

in an air-cushion vessel, he was very surprised. They say nothing will come of the undertaking—there are too many problems."

The principal gain from the mass introduction of ACV's will go to the oblast's construction workers, whose cargoes make up more than two-thirds of the total carried by water transport. Sand and gravel, cement and pipe, precast concrete and metal structures, fuel and foodstuffs—altogether about 12 million tons over the navigation season. Transporting them with the new technology will yield tremendous economic gain. For example, a pipe carrier consisting of paired platforms on an air-cushion vessel is capable of moving four lengths of pipe 1,420 millimeters in diameter and 60 meters long at the same time for any distance over areas with impassable roads. The production cost of one ton-kilometer is three times less expensive than delivering the same pipes in short lengths to construction sites by tractor-drawn pipe carriers based on the "T-100." And this is regardless of the time of year. L. Bagrov, the RSFSR minister of river transport [sic], reasonably considers the shift to ACV's to be revolutionary restructuring in the water transport system.

With the launching of the ACV's, there will no longer be a need to build many runways with production and general facilities in remote regions. And this is a vast saving.

It is no coincidence that Tomsk Oblast was assigned as the national proving ground for testing and extensive introduction of the new equipment for the future. First of all, supporters of the progressive trend made their appearance here before other regions. Secondly, 80 percent of all cargoes are transported by the people of Tomsk on large and small rivers which often lead to areas that are inaccessible to land and air transport.

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